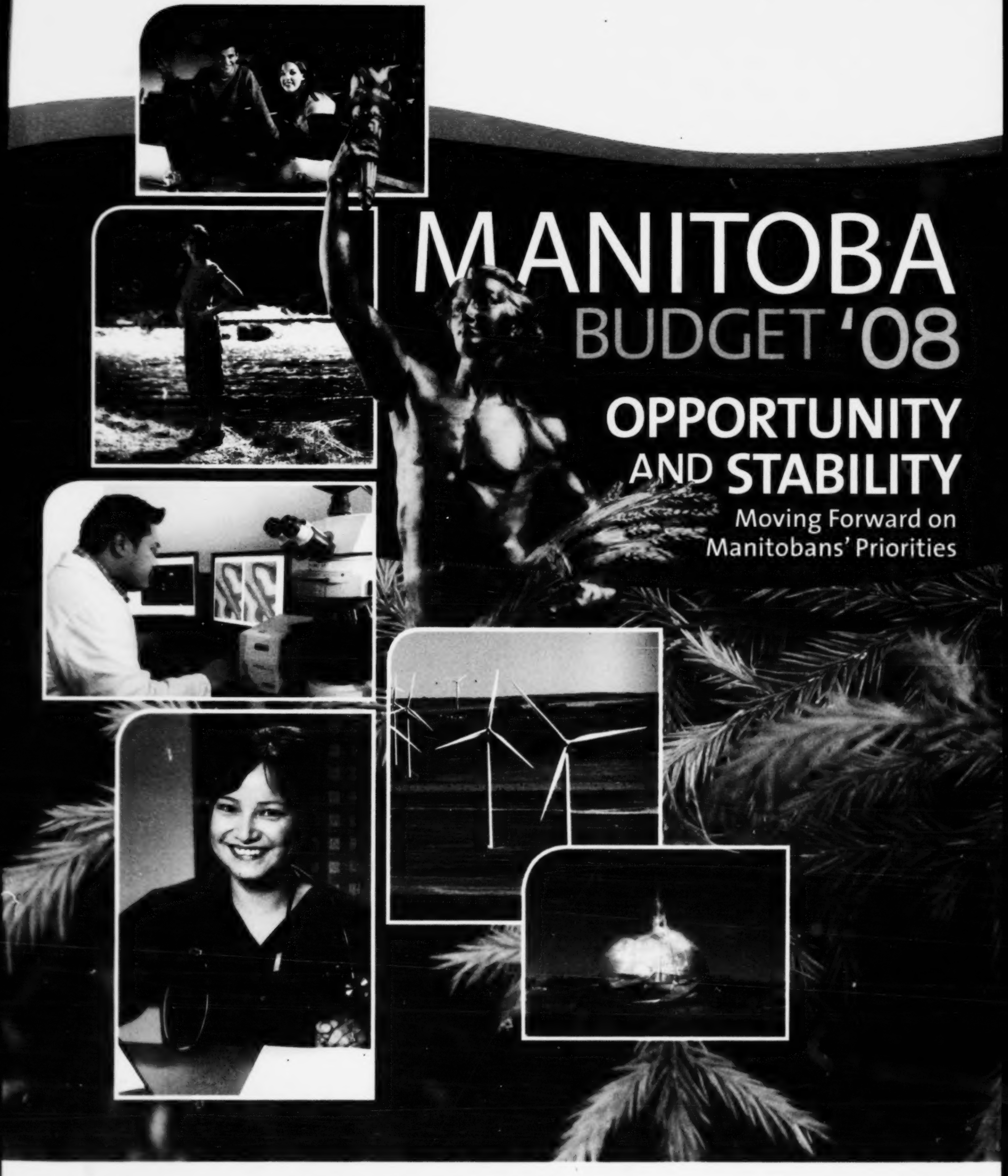

MANITOBA BUDGET '08

OPPORTUNITY AND STABILITY

Moving Forward on Manitobans' Priorities

BUDGET and Budget Papers

Manitoba

2008-06108/

MANITOBA BUDGET 2008

Manitoba

This document is available on the Internet at:

http://www.gov.mb.ca/finance

Information available at this site includes:

- The 2008 Manitoba Budget Address
- Budget 2008
- Budget Papers
  - A The Economy
  - B Supplementary Financial Information
  - C Taxation Adjustments
  - D The Manitoba Advantage
  - E From Research to Innovation
  - F Supporting Manitoba's Children and Families
- Estimates of Expenditure and Revenue for the Fiscal Year Ending March 31, 2009
- Budget in Brief
- Tax News
- Facts for Investors
- Financial Reports
- Economic Highlights
- Economic Statistics

Les documents offerts en français sur le site Internet http://www.gov.mb.ca/finance/index.fr.html comprennent:

- Le discours du Budget 2008
- Les avantages du Manitoba (Rapport supplémentaire du Budget)
- À l'appui des enfants et des familles du Manitoba (Rapport supplémentaire du Budget)
- Le Budget des dépenses et des recettes pour l'exercice se terminant le 31 mars 2009
- Budget en bref
- Le Bulletin de nouvelles fiscales
- Investir au Manitoba
- Rapports financiers
- Fait saillants de l'activité économique
- Statistiques économiques

By special arrangement, sections of this document can be provided in alternative format for visually impaired persons requiring the information.

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BUDGET 2008

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■ FOREWORD

Budget 2008 provides the financial overview of the Government Reporting Entity, which includes Core Government and Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges. A summary budget presents a complete picture of how the provincial government and the other related entities operate as a whole and what the total cost is of providing services and programs to people in Manitoba.

The adoption of a summary budget followed the recommendation of the Office of Auditor General. Manitoba's summary budget aligns with the accounting standards set by the Public Sector Accounting Board and fully reflects Generally Accepted Accounting Principles (GAAP). Over time, quarterly financial reporting will also be transitioned to a summary basis to be consistent with GAAP; this transformation is expected to be complete by the end of 2009/10.

To ensure transparency and accountability, Schedules 1 and 2 in this Budget present information on Core Government estimates of expenditure and revenue reconciled to the Summary Budget.

Budget 2008 includes an updated Financial Management Strategy, which sets out the government's priorities for financial management as well as measurable outcomes for each priority. These outcomes will be reported on in the fall of 2009.

The information provided in this document will help the public assess the fiscal environment and financial status of the Province. It also demonstrates the government's commitment to continued accountability and performance reporting to the public.

SUMMARY BUDGET 2008/09

SUMMARY BUDGET

For the Fiscal Year Ending March 31, 2009

With Comparative Data for the year ended March 31, 2008

				Per cent Change 2008/09 Budget from	
	2008/09 Budget	2007/08 Forecast	2007/08 Budget	2007/08 Forecast	2007/08 Budget
		(Millions of Dollars)			
REVENUE					
Income Taxes	2,611	2,649	2,439	(1.4%)	7.1%
Other Taxes	3,320	3,317	3,249	0.1%	2.2%
Fees and Other Revenue	1,377	1,320	1,215	4.4%	13.4%
Federal Transfers	3,905	3,657	3,687	6.8%	5.9%
Net Income of Government Business Enterprises	668	858	686	(22.1%)	(2.6%)
Sinking Funds and Other Earnings	441	360	381	22.5%	15.7%
TOTAL REVENUE	12,324	12,161	11,657	1.3%	5.7%
EXPENDITURE					
Health and Healthy Living	4,371	4,154	4,050	5.2%	7.9%
Education	3,250	3,107	3,066	4.6%	6.0%
Family Services and Housing	1,331	1,270	1,251	4.8%	6.4%
Community, Economic and Resource Development	1,478	1,413	1,385	4.6%	6.7%
Justice and Other Expenditures	992	1,078	943	(8.0%)	5.2%
Debt Servicing Costs	806	810	787	(0.5%)	2.4%
TOTAL EXPENDITURE	12,227	11,832	11,482	3.3%	6.5%
SUMMARY NET INCOME	96	329	175		

NOTES:

- The 2007/08 Budget numbers originally presented in the 2007 Budget Address have been restated to be consistent with the current presentation for the Government Reporting Entity.
- Details of Revenue and Expenditure for Fiscal Year 2008/09 and a reconciliation to the amounts reported for Core Government are found in Schedules 1 and 2 (p. 6-7).
- Information on the structure of the Summary Budget may be found in Appendix 2 (p. 27).
- The 2007/08 Forecast is based on the Third Quarter Financial Report.
- Numbers may not add due to rounding.

■ SUMMARY BUDGET 2008/09

Budgeted Summary Net Income for the year is $96 million.

Revenue

Revenue in 2008/09 is projected to increase slightly over the 2007/08 Forecast, up 1.3% or $163 million.

Other Taxes are expected to grow by $3 million reflecting continued growth in retail sales taxes offset by decreases in Corporation Capital Tax due to rate reductions, and to Tobacco Tax and net education property taxes. Fees and Other Revenue will be up $58 million, while Net Income of Government Business Enterprises is expected to be down by $190 million. Federal Transfers will increase following steps taken by the federal government to address the fiscal imbalance; the new Equalization formula provides almost $238 million more; health and social transfers are up $76 million, while all other federal transfers combined decrease by $66 million from the 2007/08 forecast. Income Taxes will decrease $38 million primarily due to tax reduction measures.

Expenditure

Total expenditure is budgeted to increase $395 million, up 3.3%, from the 2007/08 Forecast.

The budgeted growth in Health and Healthy Living expenditure is $217 million, or 5.2 %, from the 2007/08 Forecast. Education-related expenditure is up $143 million, or 4.6% from the 2007/08 Forecast. Family Services and Housing expenditure is up $61 million, or 4.8% from the 2007/08 Forecast. Community, Economic and Resource Development expenditure will rise by $65 million, or 4.6%. Debt Servicing Costs are expected to drop by $4 million.*

In Budget 2008, services to people represent 76.3% of spending:

- Health and Healthy Living expenditure makes up 35.8% of total expenditure.
- Education accounts for 26.6% of all expenditure; it includes public schools and post-secondary institutions.
- Family Services and Housing and Justice represent 13.9% of total expenditure.

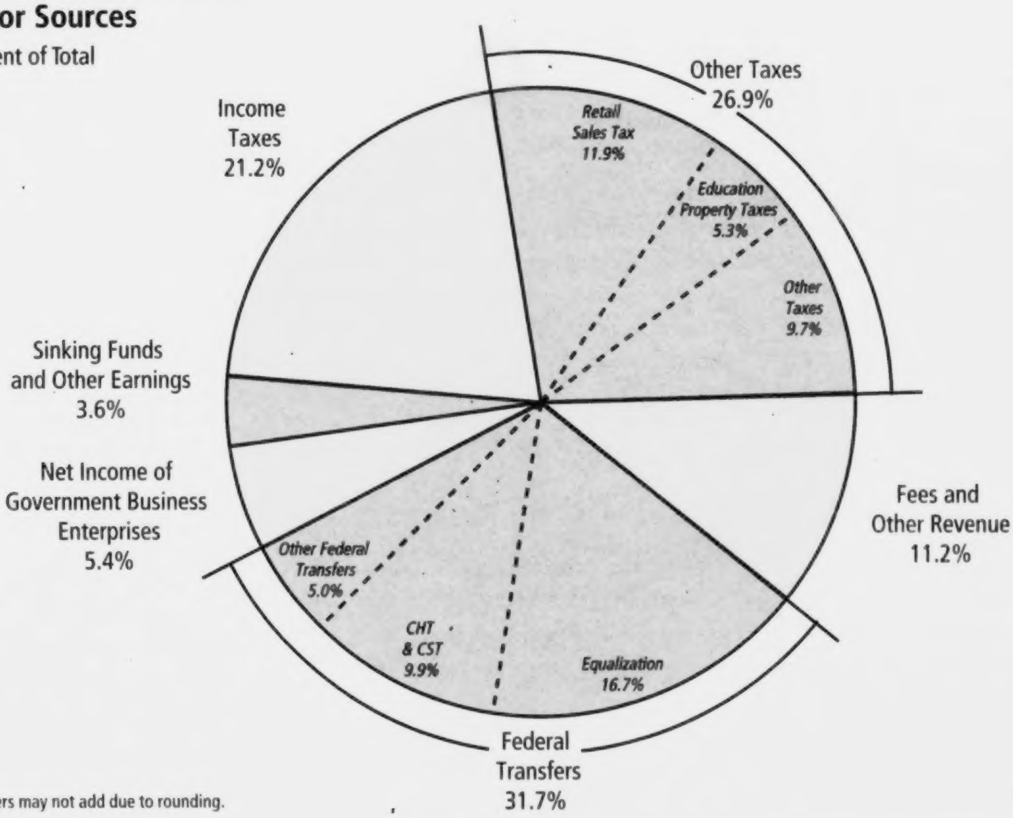
---

* Debt Servicing Costs are forecast to equal 6.5¢ of every dollar of revenue in 2008/09, down 50.8% from 13.2¢ per dollar in 1999/2000.

Revenue, 2008/09

Major Sources

Per cent of Total



Numbers may not add due to rounding.

Revenue Sources

2008/09 and 2007/08
Millions of Dollars

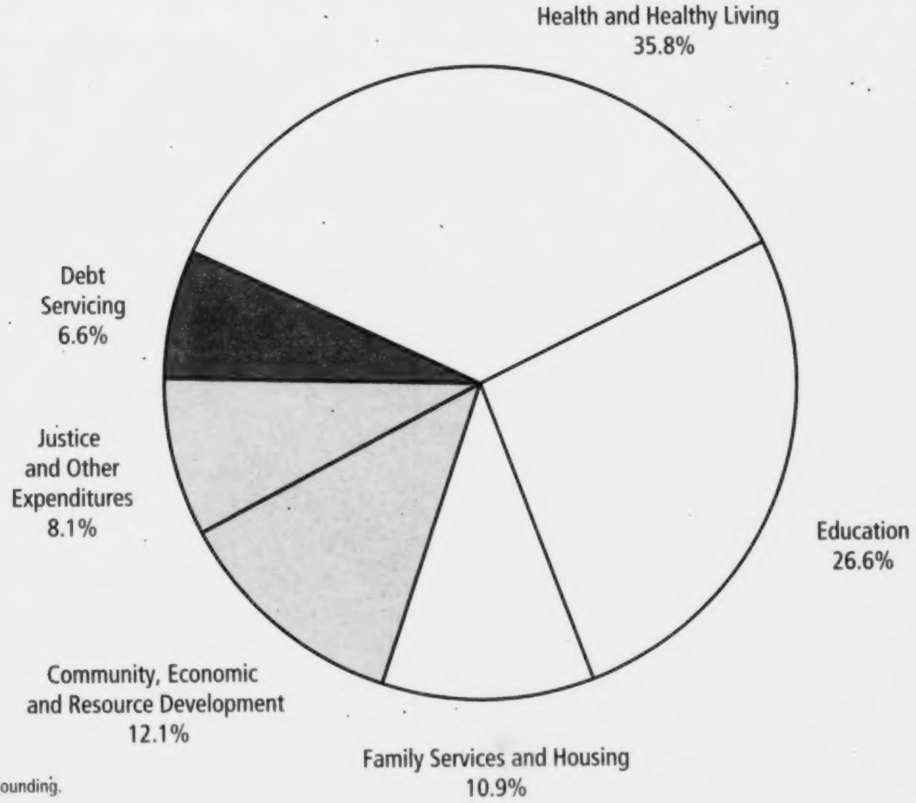
	2008/09 Budget	2007/08 Forecast	Change 2008/09 from 2007/08 Forecast
Income Taxes	2,611	2,649	(38)
Other Taxes	3,320	3,317	3
Fees and Other Revenue	1,377	1,320	58
Federal Transfers	3,905	3,657	248
Net Income of Government Business Enterprises	668	858	(190)
Sinking Funds and Other Earnings	441	360	81
TOTAL REVENUE	**12,324**	**12,161**	**163**

Numbers may not add due to rounding.

Expenditure, 2008/09

Major Sectors

Per cent of Total



Numbers may not add due to rounding.

Expenditure Sectors

2008/09 and 2007/08

Millions of Dollars

	2008/09 Budget	2007/08 Forecast	Change 2008/09 from 2007/08 Forecast
Health and Healthy Living	4,371	4,154	217
Education	3,250	3,107	143
Family Services and Housing	1,331	1,270	61
Community, Economic and Resource Development	1,478	1,413	65
Justice and Other Expenditures	992	1,078	(87)
Debt Servicing Costs	806	810	(4)
Total Expenditure	**12,227**	**11,832**	**395**

Numbers may not add due to rounding.

Schedule 1

Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year ending March 31, 2009 (in Thousands of Dollars)

	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Source of Revenue	**Revenue Estimates**	**and Revenue of Other Reporting Entities**	
Income Taxes			
Individual Income Tax	2,312,100	-	2,312,100
Corporation Income Tax	299,200	-	299,200
Subtotal: Income Taxes	2,611,300	-	2,611,300
Other Taxes			
Corporation Capital Tax	123,200	-	123,200
Gasoline Tax	137,000	-	137,000
Insurance Corporations Tax	63,500	-	63,500
Land Transfer Tax	43,600	-	43,600
Levy for Health and Education	344,400	-	344,400
Mining Tax	128,000	-	128,000
Motive Fuel Tax	90,100	-	90,100
Retail Sales Tax	1,469,400	-	1,469,400
Tax Administration and Miscellaneous Taxes	79,900	-	79,900
Tobacco Tax	170,000	-	170,000
Other Taxes	17,100	-	17,100
Education Property Taxes	-	654,284	654,284
Subtotal: Other Taxes	2,666,200	654,284	3,320,484
Fees and Other Revenue			
Fines and Costs and Other Legal	44,091	-	44,091
Minerals and Petroleum	9,386	-	9,386
Automobile and Motor Carrier Licences and Fees	106,092	-	106,092
Parks: Forestry and Other Conservation	34,083	-	34,083
Water Power Rentals	105,000	-	105,000
Service Fees and Other Miscellaneous Charges	113,854	793,683	907,537
Revenue Sharing from SOAs	20,995	(20,995)	-
Tuition Fees	-	171,200	171,200
Subtotal: Fees and Other Revenue	433,501	943,888	1,377,389
Federal Transfers			
Equalization	2,063,400	-	2,063,400
Canada Health Transfer (CHT)	845,800	-	845,800
Canada Social Transfer (CST)	378,000	-	378,000
Health Funds	-	-	-
Infrastructure Renewal	50,000	-	50,000
Manitoba Floodway Expansion	75,233	-	75,233
Shared Cost and Other Transfers	199,606	293,460	493,066
Subtotal: Federal Transfers	3,612,039	293,460	3,905,499
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	227,300	-	227,300
Manitoba Lotteries Corporation	301,200	-	301,200
Manitoba Hydro	-	160,000	160,000
Workers Compensation Board	-	1,214	1,214
Manitoba Public Insurance Corporation	-	(21,790)	(21,790)
Subtotal: Net Income of GBEs	528,500	139,424	667,924
Sinking Funds and Other Earnings	-	440,954	440,954
Total Revenue Estimate	9,851,540	2,472,010	12,323,550

Schedule 2

Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result

Fiscal Year ending March 31, 2009 (in Thousands of Dollars)

	CORE GOVERNMENT	CONSOLIDATION IMPACTS	SUMMARY
Sector/Department	**Expenditure Estimates**	**and Expenditures of Other Reporting Entities**	
Health and Healthy Living	4,133,022	238,389	4,371,411
Education			
Advanced Education and Literacy	572,335	422,085	994,420
Education, Citizenship and Youth	1,409,138	846,149	2,255,287
Total Education	1,981,473	1,268,234	3,249,707
Family Services and Housing	1,196,763	134,310	1,331,073
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	40,580	248	40,828
Agriculture, Food and Rural Initiatives	217,051	161,710	378,761
Competitiveness, Training and Trade	119,121	6,162	125,283
Conservation	123,076	(241)	122,835
Infrastructure and Transportation	527,011	(97,636)	429,375
Intergovernmental Affairs	260,972	-	260,972
Science, Technology, Energy and Mines	81,060	5,444	86,504
Water Stewardship	33,361	(41)	33,320
Total Community, Economic and Resource Development	1,402,232	75,646	1,477,878
Justice and Other Expenditures			
Legislative Assembly	35,064	(8)	35,056
Executive Council	2,848	-	2,848
Civil Service Commission	6,235	347	6,582
Culture, Heritage, Tourism and Sport	88,172	8,907	97,079
Employee Pensions and Other Costs	79,604	100,500	180,104
Finance	102,899	27,006	129,905
Healthy Child Manitoba	27,180	-	27,180
Justice	347,647	22,943	370,590
Labour and Immigration	49,046	8,817	57,863
Manitoba Seniors and Healthy Aging Secretariat	1,765	-	1,765
Enabling Appropriations	122,095	-	122,095
Other Appropriations	25,500	-	25,500
Less: Year-End Lapse	(65,000)	-	(65,000)
Total Justice and Other Expenditures	823,055	168,512	991,567
Debt Servicing Costs	262,500	543,105	805,605
Total Expenditure Estimate	9,799,045	2,428,196	12,227,241
Subtract: Total Expenditure Estimate (above) from Total Revenue Estimate (Schedule 1)	9,851,540	2,472,010	12,323,550
Net Result for the Year	52,495	43,814	96,309
Transfer to Debt Retirement Fund	(110,495)	110,495	-
Transfer from Fiscal Stabilization Fund	60,000	(60,000)	-
NET INCOME	2,000	94,309	96,309

FINANCIAL MANAGEMENT STRATEGY

FINANCIAL MANAGEMENT STRATEGY

The Financial Management Strategy (FMS) sets out the government's priorities for financial management, one or more measurable outcomes for each priority area, and objectives for each measurable outcome for the current year and for the future.

The FMS demonstrates the government's commitment to enhancing transparency and accountability. The report on outcomes set for the first FMS, presented in the 2007 Budget, will be available in the fall of 2008.

For 2008/09, the FMS will continue with the five priority areas the government set for 2007/08. These areas, and their related measurable outcomes, are summarized below.

FINANCIAL MANAGEMENT PRIORITY	MEASURABLE OUTCOMES
Transparency, Accountability and Fiscal Discipline	• Summary Budgeting and Financial Reporting • Balancing Summary Net Income • Maintaining accountability for Core Government program expenditure and revenue
Stable and Affordable Government	• Credit Ratings • Expenditures as a percentage of Gross Domestic Product (GDP) • Addressing the unfunded pension liability
Managing Debt	• Net Debt to GDP ratio • Debt retirement
Infrastructure and Capital Asset Renewal	• Capital improvements
Performance Reporting	• Implementing key elements of an overall performance reporting framework

■ PRIORITY AREA: TRANSPARENCY, ACCOUNTABILITY AND FISCAL DISCIPLINE

The government is committed to continuing to improve transparency and accountability and maintaining sound financial discipline. This commitment has been evident over the last few years as we have passed a number of major milestones, including: the achievement of fully GAAP compliant Summary Financial Statements as of March 31, 2005; the transition to summary budgeting and reporting in 2007/08; the introduction of a FMS in Budget 2007 and the commitment to having a report on outcomes available in the fall of 2008; the establishment of and adherence to a rigorous general purpose debt repayment regime; and the development of plans to eliminate general purpose debt and pension liabilities.

In the current legislative session, the government will introduce new balanced budget legislation aligned with full transition to summary budgeting and reporting.

Measurable Outcome: Summary Budgeting and Financial Reporting

Budget 2007 delivered on the commitment the government made in 2005 to make the transition to summary budgeting and reporting in the 2007/08 fiscal year. The Summary Budget presents comprehensive information on how the GRE operates as a whole and what the total cost is of providing programs and services to people in Manitoba. Correspondingly, the year-end financial reporting presented in the Public Accounts 2007/08 will contain audited Financial Statements for the GRE.

In addition, all financial reporting, including quarterly financial reporting, will be transitioned to a summary basis. Over time, quarterly reports will also be made consistent with GAAP. It is anticipated that the Third Quarter Financial Report for 2008/09 will present the new format, and the complete transition to summary quarterly reporting will be in place by the end of 2009/10.

As we move forward in the Summary environment over the longer term, we will continue to refine and improve upon the current presentation of the Summary Budget, Summary Financial Statements and Public Accounts.

Measurable Outcome: Balancing Summary Net Income

The shift to a Summary Budget presents significant challenges. The GRE is comprised of many organizations over which government does not have direct or day-to-day control. Given the nature of some of the entities in the GRE, the Summary Budget is more volatile than Core Government's budget. Notwithstanding all these changes, the government is committed to continuing to balance Summary Net Income into the future.

Today we are presenting a budget which has a positive balance on a summary basis of $96 million for 2008/09.

Measurable Outcome: Maintaining accountability for Core Government program expenditure and revenue

To ensure transparency and accountability, the government continues to report on the allocation of revenues directly under government's control – the Core Government - through the Estimates of Expenditure and Revenue. The government is committed to planning annually for these expenditures to be fully supported by related Core revenue, including funding advanced by the federal government to support multiyear joint federal-provincial priorities. This commitment is again met in the 2008 Budget, as Core revenues are projected to exceed Core expenditures.

A year-end statement of Core Government's revenue and expenditure for 2008/09 will be provided as part of the FMS report, which will be released in the fall of 2009.

■ PRIORITY AREA: STABLE AND AFFORDABLE GOVERNMENT

Manitoba continues to have one of the most efficient and cost-effective governments in Canada. Continuous improvements in the way government operates and delivers services help keep Manitoba programs affordable. Providing affordable public services means using public revenues effectively and efficiently to deliver government programs and services. The government is carefully managing expenditures even as demands for services, especially in health care and education, are rising.

Measurable Outcome: Credit Ratings

Manitoba continues to maintain its reputation for fiscal responsibility. The Province's measured approach to balancing the budget, paying down debt and the pension liability, and dealing with the needs in health care and other program areas has been acknowledged by credit rating agencies. This performance has been reflected in the credit rating upgrades Manitoba received from Moody's Investors Service and Standard & Poor's over the past five years. In November 2006, Standard & Poor's revised its outlook on the Province of Manitoba to positive from stable, and then upgraded the credit rating of the Province in December 2007 from AA-(positive) to AA. This continuous improvement reflects our achievements on gradually declining debt burden, robust financial results and financial liquidity.

The Manitoba Government is committed to maintaining fiscal responsibility to achieve stable or improving credit ratings into the future.

Credit Rating Agency	2003 Actual	2004 Actual	2005 Actual	2006 Actual	2007 Actual	2008 Actual
DBRS	A(positive)	A(high)	A(high)	A(high)	A(high)	A(high)
Moody's	Aa2	Aa2	Aa2	Aa2	Aa1	Aa1
Standard & Poor's	AA-	AA-	AA-	AA-	AA-(positive)	AA(stable)

▨ Represents credit rating improvements from prior years.

NOTES: As at March 31 (end of fiscal year)

In addition to the rating improvements above, in 2006 DBRS upgraded the Short-term Debt rating to R-1 mid.

Measurable Outcome: Expenditures as a percentage of Gross Domestic Product (GDP)

Maintaining a stable and affordable government means managing the growth in spending to meet increasing demands for quality services in areas such as health, education and services for families, while keeping pace with the growth in the provincial economy. An effective measure of appropriate spending is the ratio of total expenditures as a percentage of GDP. This ratio has remained relatively stable over the last four years ranging from 23.5% to 25.0%. Expenditures to GDP ratios are reflected in the following table and as part of Appendix 1, Manitoba Summary Financial Statistics.

	2005/06 Actual	2006/07 Actual	2007/08 Forecast	2008/09 Budget	2009/10 Projection	2010/11 Projection
			Per cent of GDP			
Core Government Programs	19.3	19.0	19.3	18.9	18.7	18.5
Other Reporting Entities	3.7	2.7	3.7	3.7	3.5	3.5
Debt Servicing Costs	2.0	1.9	1.7	1.6	1.6	1.5
Total Expenditures	25.0	23.5	24.7	24.3	23.8	23.5

NOTE:
Actual numbers for other reporting entities for 2005/06 and 2006/07 do not include public schools as this information is not available in a GAAP format. The percentage reflected for 2005/06 and 2006/07 would increase if public schools information was included.

Numbers may not add due to rounding.

The Manitoba Government's objective is to maintain a stable or declining ratio over the medium and longer term.

Measurable Outcome: Addressing the unfunded pension liability

Upon coming into office in 1999, the government put into place a plan to retire general purpose debt and to eliminate the government's pension liability.

The 2000 Budget introduced a comprehensive approach to address both debt and pension obligations. The plan provided a formula to allocate the debt and pension obligation funding which is currently set at $110 million per year. In 2001, we started to pay down the accumulated liability, and in the 2002 Budget we announced our plan to make current service employer pension contributions for new employees. In Budget 2008 we have extended current service employer contributions for all employees.

In 2007, the government took further steps to deal with the unfunded pension liability by funding 75% of the employer's liability relating to the Teachers' Retirement Allowances Fund (TRAF). Budget 2008 continues to address the unfunded pension liability by beginning funding of the Civil Service Superannuation Fund. Borrowing funds to pay down the previously unfunded pension liabilities, without increasing the Province's net debt, is estimated to save the government over $250 million by 2020.

■ PRIORITY AREA: MANAGING DEBT

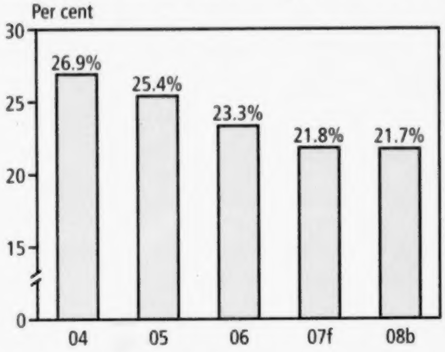
In 2000, the government established a prescribed formula for allocating the debt retirement payment for addressing the general purpose debt and the pension liability. Current legislation requires that funds be set aside each year for this purpose and requires increases to the annual payment at least every five years. In 1999/2000, the amount of debt payment was set at $75 million. It increased to $96 million in 2000/01 and again to $110 million in 2005/06.

Measurable Outcome: Net Debt to GDP ratio

The Net Debt to GDP ratio is an important indicator of a government's financial position as this highlights the affordability of future government services. The Canadian Institute of Chartered Accountants promotes this indicator as the key for assessing sustainability. Summary net debt represents the difference between the GRE's total liabilities, such as borrowing and financing, less its financial assets* – it reflects the residual liability that must be financed by future revenues. Net debt may grow in absolute terms from time to time, as needed investments in capital assets – like the Red River Floodway and highway infrastructure – are made. These investments underpin and support Manitoba's economic performance. It is important therefore to measure changes in net debt against the growth of the economy, as measured by the nominal GDP.

Over the last several years, the Manitoba Government has seen a substantial downward trend in Net Debt to GDP ratio, lowering the ratio to a projected level of 21.7% in 2008/09 from 31.4% in 1999/2000, while continuously making much needed investments in Manitoba infrastructure. The government is committed to continuing to reduce the Net Debt to GDP ratio over time.

Net Debt as a Percentage of GDP



f - Forecast b - Budget

Source: Manitoba Finance

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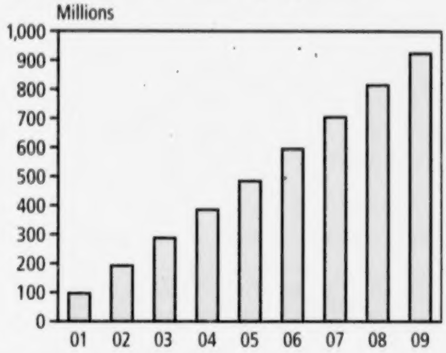
* Financial assets are assets such as cash, investments, loans and accounts receivable that could be readily converted to cash.

Measurable Outcome: Debt retirement

Cumulative Debt Repayment



Source: Manitoba Finance

Upon coming into office in 1999, the government established a plan to retire the general purpose debt and to eliminate the pension liability. Over nine years the government has committed $924 million to debt retirement and to reducing the province's unfunded pension liability.

As noted in the discussion on stable and affordable government, in 2007 the Province made a decision to borrow to fund 75% of the unfunded TRAF pension liability. This decision will result in significant savings over time. Similarly, in 2008 the Province will begin to address the unfunded liability of the Civil Service Superannuation Fund. The funding of pension liabilities has no impact on net debt.

The government has streamlined debt management, which is reflected not only in our debt retirement plan, but also in the fact that debt servicing costs as a percentage of revenue continue to decline. Since 1999/2000 the debt servicing cost rate has declined by over 50%, from 13.2¢ of every dollar of summary revenue collected to a forecasted level of 6.5¢ for 2008/09.

The Manitoba Government is committed to retiring debt with the ultimate goal of eliminating the general purpose debt and the remaining unfunded pension liabilities.

■ PRIORITY AREA: INFRASTRUCTURE AND CAPITAL ASSET RENEWAL

Provincial infrastructure such as roads, water control structures, parks and other capital assets such as public service buildings, schools and health facilities serve the public good. To meet the needs of today and future generations it is necessary to invest in renewal of the current assets.

Renewal and expansion of these assets has become a growing priority for the government in recent years. The government is aware that the renewal will be costly. It is estimated that the insured or replacement value of these investments is more than $31 billion.

Measurable Outcome: Capital improvements

Since coming to office in 1999, the government has invested in public capital assets, such as new or renewed hospitals, colleges, the Red River Floodway, Manitoba's highway system, and Churchill's deepwater seaport.

The Red River Floodway Expansion project, at a total cost of $665 million, is anticipated to be finished in 2010. This project protects Manitobans from more than $12 billion in potential damages in the event of a major flood. The government's significant commitments to enhance Manitoba's economic opportunities, through a 10-year, $4 billion plan to revitalize highways and bridges, started in 2007.

Budget 2008 continues to invest in upgrading Manitoba's highway system and wastewater treatment plants, expanding health facilities across the province, and modernizing our post-secondary institutions. It demonstrates the government's commitment to infrastructure and public asset renewal. Major capital improvements anticipated in 2008/09 include:

	$ Millions
Roads and Highways (including preservation)	406
Manitoba Floodway Expansion and Water-related Infrastructure	195
Health Facilities	189
Universities, Colleges and Public Schools	150
Assistance to Third Parties	97
Public Service Buildings	83
	1,120

Over the medium and longer term, the government will continue to invest in Manitoba's public capital assets.

■ PRIORITY AREA: PERFORMANCE REPORTING

By improving the way government measures and reports to the public on both financial and non-financial performance outcomes, transparency and accountability are enhanced. Outcomes-based reporting provides information on the actual impacts, benefits or changes experienced as a result of a program or government service. Although such reporting would include financial outcomes measures, most would be non-financial in nature.

Measurable Outcome: Implementing key elements of an overall performance reporting framework

Budget 2007 committed to making further progress over the coming years to improve the reporting of performance outcomes, beginning with the development of a comprehensive performance reporting strategy which would include clear principles to guide departmental and Crown organization performance reporting. It also committed over the longer term to a regular means of reporting overall government performance in key areas of non-financial activity.

Significant components of a performance reporting framework are in place or are in development. Since 2005/06, key performance measures have been included in every government department's annual report. A wide range of performance reporting information is also included in the regular annual reports and specialized reports of many entities within the GRE.

The following eight performance reporting principles were recently developed to provide further guidance to departments and key Crown agencies in their performance reporting:

i. The organization's public purpose is explained.

ii. The organization's priorities relate to overall government priorities.

iii. Each organizational priority has objectives and actions to achieve them.

iv. Measures are developed with outcomes in mind, focussing on a few critical aspects of performance.

v. Financial and non-financial information is linked.

vi. The strategic context for the plan and reported results is discussed.

vii. Performance information looks forward and backward in time.

viii. Information is clear, relevant, credible and balanced.

As part of the performance reporting strategy, a statement of overall government priorities will be communicated in early 2008/09 for use in the performance planning and reporting activities of departments and Crowns. A report on performance which aligns with overall government priorities will be released in the fall of each year.

PROVINCIAL OUTLOOK

Summary Budget Outlook

	2007/08 Forecast	2008/09 Budget	2009/10 Projection	2010/11 Projection	2011/12 Projection
			Millions of Dollars		
REVENUE					
Core Government [1]	9,592	9,852	10,142	10,443	10,801
Net Income of Government Business Enterprises (GBEs):					
Manitoba Liquor Control Commission	218	227	233	240	246
Manitoba Lotteries Corporation	295	301	301	301	301
Manitoba Hydro	309	160	111	121	119
Workers Compensation Board	42	1	2	1	4
Manitoba Public Insurance Corporation	(6)	(22)	0	0	8
Subtotal	858	668	648	663	678
Less: Consolidation Adjustment	(513)	(529)	(534)	(541)	(547)
Net Contribution of GBEs	345	139	113	122	130
Other Reporting Entities	2,224	2,333	2,347	2,383	2,415
TOTAL REVENUE	12,161	12,324	12,602	12,949	13,347
EXPENDITURE					
Core Government Programs and Services	9,490	9,799	10,080	10,369	10,668
Other Reporting Entities	2,342	2,428	2,430	2,487	2,532
TOTAL EXPENDITURE	11,832	12,227	12,510	12,857	13,201
SUMMARY NET INCOME	329	96	92	92	146

Numbers may not add due to rounding.

NOTES:

[1] Core Government revenue includes Net income of Manitoba Lotteries Corporation and Manitoba Liquor Control Commission; that income is eliminated in the Consolidation Adjustment.

- Revenue and expenditure projections for GBEs and Other Reporting Entities are based on information provided by the entities.

Change In Summary Net Debt

Millions of Dollars

	Core Government	Other Reporting Entities	Summary 2008/09 Budget	Summary 2007/08 Forecast
Net Investment in tangible capital assets	460	126	586	586
Less:				
Net result for the year	2	94	96	557*
Change in Net Debt	458	32	490	29

* includes Other Comprehensive Income of $228 million

Net Debt is an important indicator of a government's financial position as it highlights the affordability of future government services. Net Debt may grow in absolute terms from time to time as needed investments in capital assets are made.

Budget 2008 demonstrates the government's commitment to infrastructure and public asset renewal, with investments in hospitals, colleges, the Red River Floodway and Manitoba's highway system. It is important though to measure changes in Net Debt against the growth in the economy, as measured by nominal GDP. The following table illustrates Net Debt, GDP and the ratio of Net Debt to GDP over the last several years.

Fiscal Year	Net Debt	GDP	Net Debt as a % of GDP
2003/04 Actual	11,129	37,354	29.8
2004/05 Actual	10,670	39,671	26.9
2005/06 Actual	10,520	41,372	25.4
2006/07 Actual	10,403	44,671	23.3
2007/08 Budget	11,130	45,981	24.2
2007/08 Forecast	10,432	47,832	21.8
2008/09 Budget	10,922	50,367	21.7

APPENDIX 1

MANITOBA SUMMARY FINANCIAL STATISTICS

Manitoba Summary Financial Statistics

(Millions of Dollars)

	2008/09 Budget	2007/08 Forecast	2006/07 Actual	2005/06 Actual	2004/05 Actual	2003/04 Actual
SUMMARY FINANCIAL STATEMENTS						
Revenue						
Income Taxes	2,611	2,649	2,441	2,322	2,244	2,091
Other Taxes	3,320	3,317	2,586	2,285	2,219	2,067
Fees and Other Revenue	1,377	1,320	1,520	1,552	1,398	1,316
Federal Transfers	3,905	3,657	3,317	3,103	3,156	2,723
Net Income (Loss) of Government Business Enterprises	668	858	627	958	679	(10)
Sinking Funds and Other Earnings	441	360	529	505	444	473
Total Revenue	12,324	12,161	11,020	10,725	10,140	8,659
Expenditure						
Health and Healthy Living	4,371	4,154	4,005	3,809	3,560	3,410
Education	3,250	3,107	2,396	2,291	2,309	2,220
Family Services and Housing	1,331	1,270	1,142	1,075	1,020	954
Community, Economic and Resource Development	1,478	1,413	1,281	1,526	1,169	1,095
Justice and Other Expenditures	992	1,078	831	820	755	757
Debt Servicing Costs	806	810	835	810	765	799
Total Expenditure	12,227	11,832	10,490	10,331	9,578	9,236
Summary Net Revenue (Expenditure)	96	329	530	394	562	(577)
Provincial Borrowings, Guarantees & Obligations						
General Government Programs	6,349	6,376	6,564	6,583	6,594	6,546
General Government Programs - Pension Liability	2,000	1,500	0	0	0	0
Manitoba Hydro	7,333	6,810	6,636	6,524	6,615	6,649
Other Crown Organizations	1,333	1,261	1,279	1,272	1,340	1,187
Health Facilities	963	866	790	767	739	615
Government Enterprises and Other	81	91	150	163	173	182
Capital Investments	1,415	1,080	749	464	363	321
Subtotal	19,474	17,984	16,168	15,773	15,824	15,500
Other Obligations						
Pension Liability	4,611	4,394	4,159	3,967	3,761	3,571
Pension Asset Fund	(2,925)	(2,258)	(699)	(537)	(382)	(267)
Net Pension Liability	1,686	2,136	3,460	3,430	3,379	3,304
Debt incurred for and repayable by the Manitoba Hydro-Electric Board and Manitoba Lotteries Corporation	(6,898)	(6,723)	(6,163)	(6,276)	(6,215)	(5,937)
Education and Health Debt held by Government Enterprises	389	359	383	339	324	296
Other Debt of Crown Organizations	367	367	221	243	173	270
Subtotal	(4,456)	(3,861)	(2,099)	(2,264)	(2,339)	(2,067)
Total Provincial Borrowings, Guarantees & Obligations	15,018	14,123	14,069	13,509	13,485	13,433
Adjustments to arrive at Summary Net Debt						
Guarantees	(367)	(367)	(675)	(491)	(660)	(923)
Net Financial Assets	(3,729)	(3,324)	(2,991)	(2,498)	(2,155)	(1,381)
Summary Net Debt	10,922	10,432	10,403	10,520	10,670	11,129
Summary Net Debt as percentage of GDP	21.7	21.8	23.3	25.4	26.9	29.8

Numbers may not add due to rounding.

NOTES:

- Actual numbers for summary expenditures for 2006/07 and earlier do not include public schools as this information is not available in a GAAP format. The above results and the statistics associated with these results would change if public schools information was included.
- The 2007/08 Forecast is based on the Third Quarter Financial Report.

Manitoba Summary Financial Statistics

	2008/09 Budget	2007/08 Forecast	2006/07 Actual	2005/06 Actual	2004/05 Actual	2003/04 Actual
			(Percentage Change)			
Annual Change						
Income Taxes	(1.4)	8.5	5.1	3.5	7.3	11.3
Other Taxes[1]	0.1	28.3	13.2	3.0	7.4	4.7
Fees and Other Revenue	4.4	(13.2)	(2.1)	11.0	6.2	4.5
Federal Transfers	6.8	10.2	6.9	(1.7)	15.9	12.9
Total Revenue	1.3	10.4	2.8	5.8	17.1	2.0
Health and Healthy Living	5.2	3.7	5.2	7.0	4.4	11.4
Education	4.6	29.7	4.6	(0.8)	4.0	3.2
Debt Servicing Costs	(0.5)	(3.0)	3.0	5.9	(4.3)	(7.6)
Total Expenditure	3.3	12.8	1.5	7.9	3.7	5.3
Summary Net Debt	4.7	0.3	(1.1)	(1.4)	(4.1)	7.5
			(Per cent)			
Per cent of GDP						
Income Taxes	5.2	5.5	5.5	5.6	5.7	5.6
Other Taxes[1]	6.6	6.9	5.8	5.5	5.6	5.5
Fees and Other Revenue	2.7	2.8	3.4	3.8	3.5	3.5
Federal Transfers	7.8	7.6	7.4	7.5	8.0	7.3
Total Revenue	24.5	25.4	24.7	25.9	25.6	23.2
Health and Healthy Living	8.7	8.7	9.0	9.2	9.0	9.1
Education	6.5	6.5	5.4	5.5	5.8	5.9
Debt Servicing Costs	1.6	1.7	1.9	2.0	1.9	2.1
Total Expenditure	24.3	24.7	23.5	25.0	24.1	24.7
Summary Net Debt	21.7	21.8	23.3	25.4	26.9	29.8
Per cent of Revenue						
Income Taxes	21.2	21.8	22.2	21.7	22.1	24.1
Other Taxes[1]	26.9	27.3	23.5	21.3	21.9	23.9
Fees and Other Revenue	11.2	10.9	13.8	14.5	13.8	15.2
Federal Transfers	31.7	30.1	30.1	28.9	31.1	31.4
Net Income (Loss) of Government Business Enterprises	5.4	7.1	5.7	8.9	6.7	(0.1)
Sinking Funds and Other Earnings	3.6	3.0	4.8	4.7	4.4	5.5
			(Dollars)			
Dollars Per Capita						
Total Revenue	10,315	10,247	9,350	9,133	8,661	7,452
Total Expenditure	10,234	9,970	8,900	8,797	8,181	7,948
Debt Servicing Costs	675	683	709	691	655	688
Summary Net Debt	9,142	8,790	8,826	8,958	9,114	9,577
Memorandum Items						
Population (000's) *	1,194.6	1,186.7	1,178.5	1,174.2	1,170.6	1,161.9
GDP at Market Prices	50,367	47,832	44,671	41,372	39,671	37,354

Source: Manitoba Finance

* official population July 1

[1] Other Taxes for 2006/07 and earlier do not include property taxes charged by public school divisions.

APPENDIX 2
SUMMARY BUDGET USER'S GUIDE

■ INTRODUCTION

This document guides readers through the format of the Manitoba Budget. It includes three components: a general explanation of the structure of the Summary Budget, Annotated Summary Budget and Schedules, and a list of Frequently Asked Questions.

Schedule 1 (Summary Revenue Estimate) and Schedule 2 (Summary Expenditure Estimate) consolidate the Estimates of Expenditure and Revenue of Core Government with high level projections of expenses and revenues of the Other Reporting Entities of the GRE to produce the Summary Budget.

Although the additional revenues and expenses of entities such as universities, public schools and government business enterprises are now included in the Summary Budget, the existing relationship between the government and the related entities does not change. Governance of these organizations and their relationships with government are not affected by the Summary Budget process.

STRUCTURE OF THE SUMMARY BUDGET

The Summary Budget presents a high-level overview of revenue and expenditure of the entire GRE.

In the Summary Budget, Revenue is reported under six categories.

- Income Taxes – are entirely revenue of Core Government;
- Other Taxes – includes the Retail Sales Tax and all of the other tax revenues of Core Government as well as property taxes levied to support school funding;
- Fees and Other Revenue – includes fees such as automobile licences, park and forestry fees, and fees collected by Crown organizations such as fees for non-insured health services and rental revenue for Manitoba Housing and Renewal Corporation (MHRC). Tuition fees collected by universities and colleges are also included in this category;
- Federal Transfers – Equalization, Canada Health Transfer, Canada Social Transfer, and other grants and transfers are mostly received by Core Government, although some federal funds are provided directly to entities not included in Core Government, such as housing subsidies to MHRC, insurance premiums for agriculture programs and grants for public education;
- Net Income of Government Business Enterprises (GBEs) – this source is mainly attributable to Manitoba Lotteries and to the Liquor Control Commission whose net income continues to be recorded as revenue of Core Government;
- Sinking Funds and Other Earnings – these are interest and other investment earnings on sinking funds and other investments held by Core Government and Other Reporting Entities. For Core Government Estimates purposes investment revenue is netted against debt servicing costs.

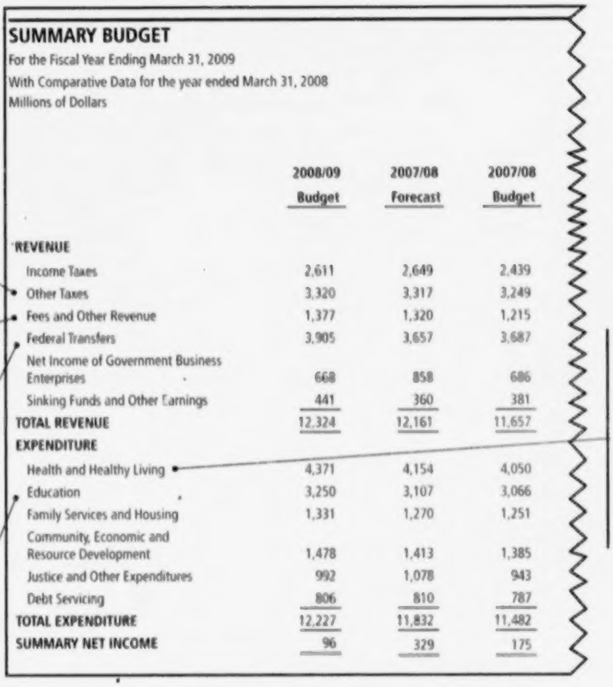
In the Summary Budget, Expenditure has been classified by major sectors. See Appendix 3 for a list of the entities in the GRE.

- Health and Healthy Living – represents all health-related expenditures including the activities of the Department of Health, all Regional Health Authorities, hospitals and other health-related entities in the GRE;
- Education – represents costs associated with all primary, secondary and post-secondary education including the operations of universities and colleges – includes additional funding for teachers' pensions and programs funded by other sources;
- Family Services and Housing – includes all costs related to social service and housing programs;
- Community, Economic and Resource Development – includes expenditures related to infrastructure and other government services such as Agriculture, Conservation and Water Stewardship;
- Justice and Other Expenditures – includes costs for Justice services and costs related to services such as Finance, Culture, Heritage, Tourism and Sport, and Employee Pensions and Other Costs;
- Debt Servicing – contains the cost of interest and related expenses including funding for the Teachers' Retirement Allowances Fund (TRAF), the Civil Service Superannuation Fund, capital funding, and general purpose borrowings associated with all provincial summary borrowings, excluding debt servicing costs for debt incurred and repayable by Manitoba Hydro and Manitoba Lotteries. Debt servicing costs related to those borrowings are reflected in the net income of GBEs.

Summary Net Income is the "bottom line" – the result after Expenditure is subtracted from Revenue. This represents the GRE's financial result for the fiscal year.

ANNOTATED SUMMARY BUDGET

The Summary Budget includes the revenue and expenditure of the entities in the GRE. Amounts are adjusted on consolidation to avoid counting the same revenue or expenditure twice.



SUMMARY BUDGET
For the Fiscal Year Ending March 31, 2009
With Comparative Data for the year ended March 31, 2008
Millions of Dollars

	2008/09 Budget	2007/08 Forecast	2007/08 Budget
REVENUE			
Income Taxes	2,611	2,649	2,439
Other Taxes	3,320	3,317	3,249
Fees and Other Revenue	1,377	1,320	1,215
Federal Transfers	3,905	3,657	3,687
Net Income of Government Business Enterprises	668	858	686
Sinking Funds and Other Earnings	441	360	381
TOTAL REVENUE	12,324	12,161	11,657
EXPENDITURE			
Health and Healthy Living	4,371	4,154	4,050
Education	3,250	3,107	3,066
Family Services and Housing	1,331	1,270	1,251
Community, Economic and Resource Development	1,478	1,413	1,385
Justice and Other Expenditures	992	1,078	943
Debt Servicing	806	810	787
TOTAL EXPENDITURE	12,227	11,832	11,482
SUMMARY NET INCOME	96	329	175

includes school property taxes

includes University and College tuition fees

Most Federal Transfers are received by Core Government but some Entities also receive Federal Transfers or cost-shared payments directly.

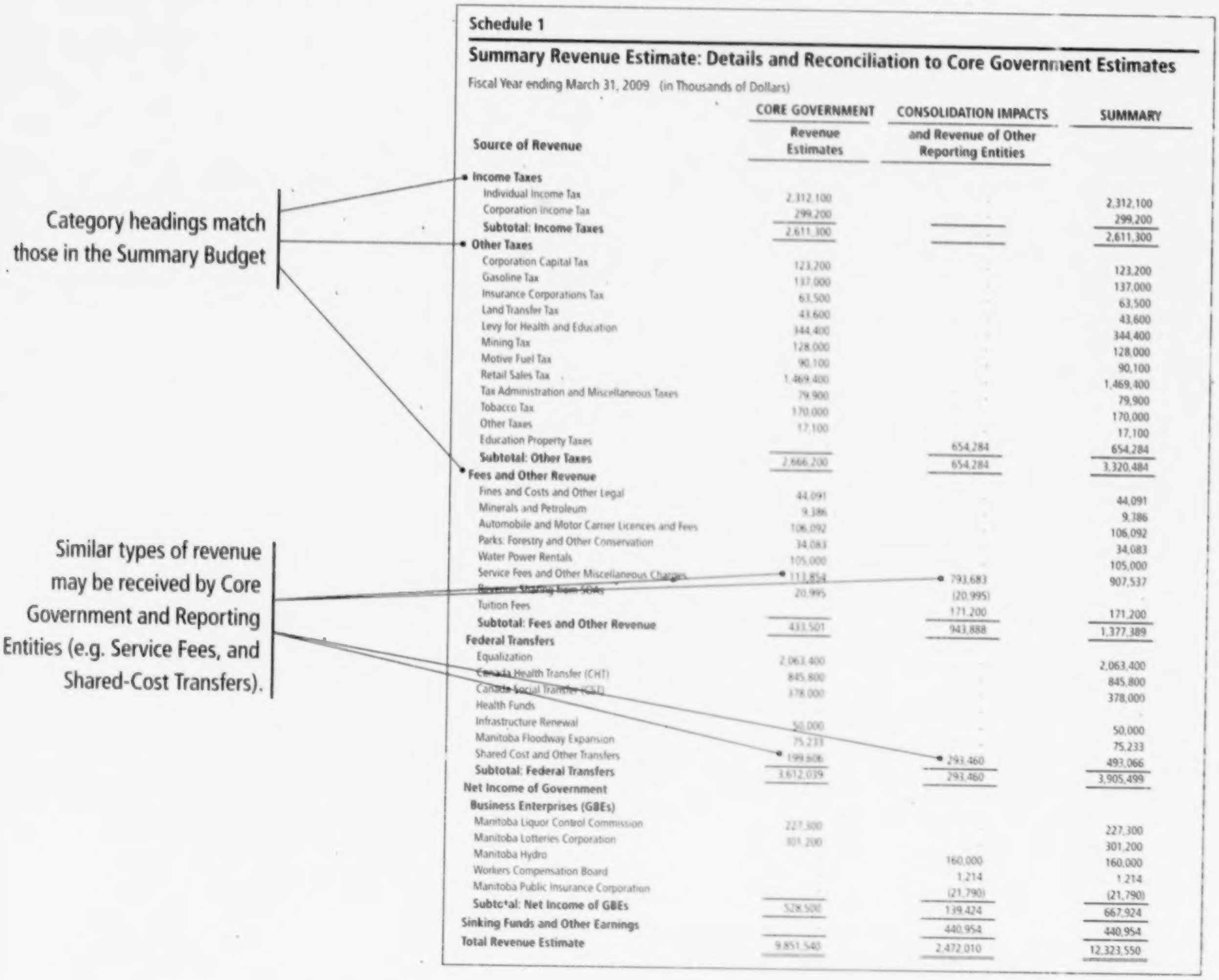
includes all expenditures of Departments of Education, Citizenship and Youth, Advanced Education and Literacy, and K-12 public schools, colleges and universities

This includes all health-related expenditures of the Department of Health and Healthy Living, hospitals, Regional Health Authorities and other health-related entities.

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

ANNOTATED SUMMARY REVENUE ESTIMATE: DETAILS AND RECONCILIATION TO CORE GOVERNMENT ESTIMATES

Schedule I – groups individual revenue sources under six categories, showing the contributions of Core Government and the impact of consolidating Core Government and Other Reporting Entities.



Category headings match those in the Summary Budget

Similar types of revenue may be received by Core Government and Reporting Entities (e.g. Service Fees, and Shared-Cost Transfers).

Schedule 1

Summary Revenue Estimate: Details and Reconciliation to Core Government Estimates

Fiscal Year ending March 31, 2009 (in Thousands of Dollars)

Source of Revenue	CORE GOVERNMENT Revenue Estimates	CONSOLIDATION IMPACTS and Revenue of Other Reporting Entities	SUMMARY
Income Taxes			
Individual Income Tax	2,312,100	-	2,312,100
Corporation Income Tax	299,200	-	299,200
Subtotal: Income Taxes	2,611,300	-	2,611,300
Other Taxes			
Corporation Capital Tax	123,200	-	123,200
Gasoline Tax	137,000	-	137,000
Insurance Corporations Tax	63,500	-	63,500
Land Transfer Tax	43,600	-	43,600
Levy for Health and Education	344,400	-	344,400
Mining Tax	128,000	-	128,000
Motive Fuel Tax	90,100	-	90,100
Retail Sales Tax	1,469,400	-	1,469,400
Tax Administration and Miscellaneous Taxes	79,900	-	79,900
Tobacco Tax	170,000	-	170,000
Other Taxes	17,100	-	17,100
Education Property Taxes	-	654,284	654,284
Subtotal: Other Taxes	2,666,200	654,284	3,320,484
Fees and Other Revenue			
Fines and Costs and Other Legal	44,091	-	44,091
Minerals and Petroleum	9,386	-	9,386
Automobile and Motor Carrier Licences and Fees	106,092	-	106,092
Parks: Forestry and Other Conservation	34,083	-	34,083
Water Power Rentals	105,000	-	105,000
Service Fees and Other Miscellaneous Charges	113,854	793,683	907,537
Revenue Sharing from SOAs	20,995	(20,995)	-
Tuition Fees		171,200	171,200
Subtotal: Fees and Other Revenue	433,501	943,888	1,377,389
Federal Transfers			
Equalization	2,063,400	-	2,063,400
Canada Health Transfer (CHT)	845,800	-	845,800
Canada Social Transfer (CST)	378,000	-	378,000
Health Funds	-	-	-
Infrastructure Renewal	50,000	-	50,000
Manitoba Floodway Expansion	75,233	-	75,233
Shared Cost and Other Transfers	199,606	293,460	493,066
Subtotal: Federal Transfers	3,612,039	293,460	3,905,499
Net Income of Government Business Enterprises (GBEs)			
Manitoba Liquor Control Commission	227,300	-	227,300
Manitoba Lotteries Corporation	301,200	-	301,200
Manitoba Hydro	-	160,000	160,000
Workers Compensation Board	-	1,214	1,214
Manitoba Public Insurance Corporation	-	(21,790)	(21,790)
Subtotal: Net Income of GBEs	528,500	139,424	667,924
Sinking Funds and Other Earnings	-	440,954	440,954
Total Revenue Estimate	9,851,540	2,472,010	12,323,550

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

ANNOTATED SUMMARY EXPENDITURE ESTIMATE: DETAILS, RECONCILIATION TO CORE GOVERNMENT ESTIMATES AND SUMMARY BUDGET RESULT

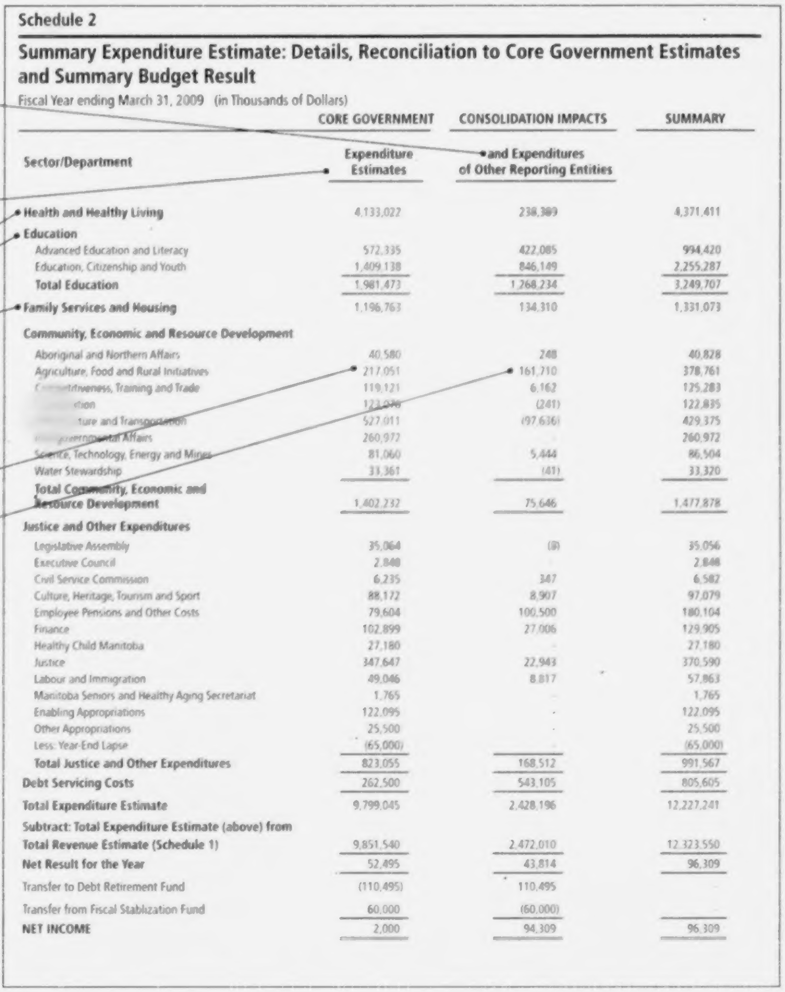
Schedule 2 – groups expenditures in six sectors. It shows Core Government Expenditure Estimates, Consolidation Impacts to avoid double counting of expenditures, and the additional expenditure of Other Reporting Entities, which is not financed by Core Government.

Expenditure of Other Reporting Entities is spending financed through sources other than Core Government.

Expenditure presented to the Legislative Assembly for approval

Category headings match those in the Summary Budget

Spending of Other Reporting Entities is shown alongside Estimates of Expenditure for the related Department of Core Government.



Schedule 2

Summary Expenditure Estimate: Details, Reconciliation to Core Government Estimates and Summary Budget Result

Fiscal Year ending March 31, 2009 (in Thousands of Dollars)

Sector/Department	CORE GOVERNMENT Expenditure Estimates	CONSOLIDATION IMPACTS and Expenditures of Other Reporting Entities	SUMMARY
Health and Healthy Living	4,133,022	238,389	4,371,411
Education			
Advanced Education and Literacy	572,335	422,085	994,420
Education, Citizenship and Youth	1,409,138	846,149	2,255,287
Total Education	1,981,473	1,268,234	3,249,707
Family Services and Housing	1,196,763	134,310	1,331,073
Community, Economic and Resource Development			
Aboriginal and Northern Affairs	40,580	248	40,828
Agriculture, Food and Rural Initiatives	217,051	161,710	378,761
Competitiveness, Training and Trade	119,121	6,162	125,283
[illegible]tion	123,076	(241)	122,835
[illegible]ture and Transportation	527,011	(97,636)	429,375
[illegible]governmental Affairs	260,972	-	260,972
Science, Technology, Energy and Mines	81,060	5,444	86,504
Water Stewardship	33,361	(41)	33,320
Total Community, Economic and Resource Development	1,402,232	75,646	1,477,878
Justice and Other Expenditures			
Legislative Assembly	35,064	(8)	35,056
Executive Council	2,848	-	2,848
Civil Service Commission	6,235	347	6,582
Culture, Heritage, Tourism and Sport	88,172	8,907	97,079
Employee Pensions and Other Costs	79,604	100,500	180,104
Finance	102,899	27,006	129,905
Healthy Child Manitoba	27,180	-	27,180
Justice	347,647	22,943	370,590
Labour and Immigration	49,046	8,817	57,863
Manitoba Seniors and Healthy Aging Secretariat	1,765	-	1,765
Enabling Appropriations	122,095	-	122,095
Other Appropriations	25,500	-	25,500
Less: Year-End Lapse	(65,000)	-	(65,000)
Total Justice and Other Expenditures	823,055	168,512	991,567
Debt Servicing Costs	262,500	543,105	805,605
Total Expenditure Estimate	9,799,045	2,428,196	12,227,241
Subtract: Total Expenditure Estimate (above) from Total Revenue Estimate (Schedule 1)	9,851,540	2,472,010	12,323,550
Net Result for the Year	52,495	43,814	96,309
Transfer to Debt Retirement Fund	(110,495)	110,495	-
Transfer from Fiscal Stablization Fund	60,000	(60,000)	-
NET INCOME	2,000	94,309	96,309

The revenue and expenditure of Other Reporting Entities are projections based on data obtained from the entities and may not represent final board-approved budget data from those entities. Many reporting entities have fiscal years and budget cycles that differ from Core Government's. In those cases data for the closest fiscal year-end date to Core Government's own year-end date is used.

FREQUENTLY ASKED QUESTIONS

Q1 What is a Summary Budget?

A A Summary Budget is a comprehensive picture of Core Government expenditure and revenue together with high-level projections for the operations of Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges.

It is called a Summary Budget because the revenue and expenditure of general program and departmental operations of the government – the services of government usually associated with the Legislature – and the additional functions that are indirectly controlled by the provincial government, such as public schools and universities, are consolidated.

For example, public school expenditures paid for by school division property taxes and provincial support payments are shown together in one sum. This approach allows taxpayers to see the total cost of providing public school services.

Q2 How can I tell how much the government raises as revenue and plans to spend on Core Government programs and services?

A Details of Core Government expenditure and revenue are presented in the Estimates of Expenditure and Revenue tabled in the Legislature. The Summary Budget and the Estimates both contain reconciliation schedules (Schedule 1 for Revenue, Schedule 2 for Expenditure), to help the reader move between the Summary Budget and the Estimates.

Q3 What entities are included in the Summary Budget and where can I get more information about their plans for 2008/09?

A A listing of all the entities in the Government Reporting Entity (GRE) is included in the Summary Budget as Appendix 3. The Summary Budget combines the Estimates of Expenditure and Revenue for Core Government with high-level projections for other reporting entities. Questions about financial information of other reporting entities should be directed to the appropriate entity.

Q4 As the additional revenues and expenses of universities and health authorities, for example, are now reported in the provincial budget, will that change the government's relationship with those institutions?

A The government does not intend, or have the statutory authority, to manage the day-to-day operations of these entities. The normal governance relationships between the government and these entities, and between the entities and their Boards and stakeholders, are not affected by the Summary Budget process, other than that the entities must provide financial information on a regular basis.

Q5 As Manitoba's Budget is now presented for the GRE, will the government use the revenues of other reporting entities to pay for Core Government operations?

A In the same way that the transition to a Summary Budget does not affect the governance relationships between other reporting entities and government, it also does not change the way in which Core Government operations will be funded. Under the Summary Budget, only revenue from those Crown entities that has traditionally been used to support government programs and services (Manitoba Lotteries Corporation, Manitoba Liquor Control Commission and the Special Operating Agencies established by government) will continue to be used to pay for Core Government operations.

Q6 If the government is not controlling the other reporting entities directly, why does the government combine their revenue and expenses with its own in the Summary Budget?

A The Manitoba Government is acting on the recommendations of the Office of the Auditor General for Manitoba. Generally Accepted Accounting Principles and the Public Sector Accounting Board standards for senior Canadian governments require provincial, territorial and federal governments to prepare their annual financial statements on this basis. The Manitoba Government is presenting its Summary Budget in the same general format as its year-end financial reports to make it easier to compare plans and results.

Q7 How do Core Government and Summary expenses differ?

A Core Government expenses reflect the departmental expenditure estimates of the Manitoba Government that are presented and approved by the Legislative Assembly. These expenditures include grants to other reporting entities. The summary expenditures include incremental expenses of other reporting entities that are financed from sources other than Core Government. The summary total reflects the total cost of the service provided, under the various sectors, that are financed by Core Government and the other reporting entities.

Q8 How does the Summary Budget treat pension liabilities?

A The pension liability is recorded in full in the Summary Financial Statements and therefore changes in this liability are reflected in the Summary Budget. The pension expenses include amounts that are funded through the appropriations of Core Government as well as summary adjustments for actuarially determined increases in the value of the outstanding pension liability. Pension expenses related to Teachers' Retirement Allowances Fund are included in the Education sector.

Q9 What is meant by Consolidation Impacts?

A Consolidation Impacts are adjustments needed to bring the revenue and expenditure of the other reporting entities into the Summary Budget. They include adjustments needed to present the information on a consistent basis and to eliminate transactions between entities in the GRE, to avoid duplicating revenues and expenses in the summary result (e.g. a government grant is counted as an expenditure of Core Government and is eliminated from the revenue of the other reporting entity).

■ GLOSSARY OF KEY TERMS

Borrowings: Borrowings are securities issued in the name of the Province to capital markets investors. Securities include debentures, treasury bills, promissory notes, medium-term notes and Manitoba Savings Bonds.

Consolidation Impacts: The adjustments needed to bring the revenue and expenditure of the Other Reporting Entities into the Summary Budget, and to eliminate transactions between entities to avoid duplication of revenues and expenses (e.g. a government grant is counted as an expenditure of Core Government and is eliminated from the revenue of the Other Reporting Entity).

Core Government: A component of the GRE. Represents the operations of government, including the revenues directly under government's control and the programs and services delivered by government departments.

Crown Organization: An organization in the GRE that is wholly owned or established by government, such as a Crown corporation (e.g. Manitoba Agricultural Services Corporation).

Debt Servicing Cost: Interest and other expenses associated with provincial borrowings.

Fair Market Value: Represents the value obtainable for an asset, financial or non-financial, if disposed of on the open market.

Federal Recoveries and Transfers: Revenues that are either received or receivable from the federal government.

Financial Assets: Assets of the Province such as cash, investments, loans and accounts receivable that could be readily converted to cash in order to pay the Province's liabilities or finance its future operations.

Generally Accepted Accounting Principles (GAAP): Standard accounting practices and reporting guidelines as prescribed by The Canadian Institute of Chartered Accountants.

General Purpose Debt: General program borrowings including any provincial securities that are not self-sustaining, or are not associated with the acquisition of capital assets.

Government Business Enterprises (GBEs): A Crown organization delegated with the financial and operating authority to carry on a business. It sells goods or services to individuals and organizations outside the GRE and can maintain its business on those revenues.

Government Reporting Entity (GRE): Includes Core Government and Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges.

Gross Domestic Product (GDP): Represents the total market value of all final goods and services produced in the Manitoba economy.

Guarantees: The Province, in the normal course of business, may provide a guarantee to honour the repayment of debt or loans of an organization, primarily GBEs. Such a guarantee is provided on the Manitoba Hydro Savings Bonds.

Infrastructure Assets: A subset of tangible capital assets that are used by the general public, such as parks, highways and water control structures.

Net Debt to GDP Ratio: The ratio of government net debt relative to the total market value of all final goods and services produced in the Manitoba economy. Net debt represents the total liabilities of the government less its financial assets. It is widely used by credit rating agencies and other analysts to evaluate the financial situation and trends of jurisdictions in regards to their relative creditworthiness.

Net Financial Assets: Assets of the Province (such as cash, investments, loans and accounts receivable) less accounts payable, that could be readily converted to cash in order to pay the Province's liabilities or finance its future operations.

Non-Financial Assets: Includes physical items such as tangible capital assets (e.g. buildings and roads) and consumable goods such as inventories that are not normally converted to cash.

Obligations: Long-term, non-interest-bearing liabilities of the Province, which may or may not carry specific repayment terms.

Other Comprehensive Income: Gains and losses on the changes in fair market value of financial assets held as available for sale by Other Reporting Entities. When the assets are sold, the Reporting Entity will recognize a gain or loss in net income.

Other Reporting Entities: Entities in the GRE such as Crown organizations, government business entities and public sector organizations such as regional health authorities, school divisions, universities and colleges that are directly or indirectly controlled by the Government, as prescribed by PSAB – excludes Core Government.

Pension Assets Fund: Financial assets that are set aside to provide for the orderly retirement of the government's pension obligations.

Pension Liability: Outstanding actuarial-calculated pension liability of the government and participating Crown organizations. The expense includes amounts funded through the appropriations of Core Government as well as for the actuarially determined increases in the pension liability. The Government of Manitoba supports eight separate pension plans.

Public Sector Accounting Board (PSAB): A board responsible for setting accounting standards for the public sector based upon GAAP.

Replacement Value of Assets: Represents the cost of replacing capital assets at current values.

Sinking Funds: Funds that are set aside to provide for the orderly retirement of borrowings as they become due.

Summary Budget: Includes revenue forecasts and expenditure estimates for Core Government as well as high-level projections for the entities directly or indirectly controlled by government, as prescribed by the PSAB.

Summary Net Debt: Represents the total liabilities of the GRE less its financial assets. This is the residual amount that will have to be paid or financed by future revenue.

Tangible Capital Assets: Assets with a useful life extending beyond one year which are acquired, constructed or developed and held for use, not for resale.

APPENDIX 3
ENTITIES INCLUDED IN SUMMARY BUDGET (GOVERNMENT REPORTING ENTITY)

HEALTH AND HEALTHY LIVING

- Manitoba Health and Healthy Living
- Addictions Foundation of Manitoba
- CancerCare Manitoba
- Diagnostic Services of Manitoba Inc.
- Manitoba Adolescent Treatment Centre Inc.
- Manitoba Health Research Council
- Manitoba Health Services Insurance Plan
- Manitoba Hospital Capital Financing Authority
- Regional Health Authorities (including controlled organizations)
  - Assiniboine Regional Health Authority Inc.
  - Brandon Regional Health Authority Inc.
  - Burntwood Regional Health Authority Inc.
  - Churchill Regional Health Authority Inc.
  - Interlake Regional Health Authority Inc.
  - NOR-MAN Regional Health Authority Inc.
  - North Eastman Health Association Inc.
  - Parkland Regional Health Authority Inc.
  - Regional Health Authority – Central Manitoba Inc.
  - South Eastman Health/Santé Sud-Est Inc.
  - Winnipeg Regional Health Authority
- Rehabilitation Centre for Children Inc.

EDUCATION

Advanced Education and Literacy

- Manitoba Advanced Education and Literacy
- Assiniboine Community College
- Brandon University
- Collège universitaire de Saint-Boniface
- Council on Post-Secondary Education
- Red River College
- University College of The North
- University of Manitoba
- University of Winnipeg

Education, Citizenship and Youth

- Manitoba Education, Citizenship and Youth
- Manitoba Text Book Bureau
- Public Schools Finance Board
- Public School Divisions

FAMILY SERVICES AND HOUSING

Manitoba Family Services and Housing
First Nations of Northern Manitoba Child and Family Services Authority
First Nations of Southern Manitoba Child and Family Services Authority
General Child and Family Services Authority
Métis Child and Family Services Authority
Manitoba Housing and Renewal Corporation

COMMUNITY, ECONOMIC AND RESOURCE DEVELOPMENT

Aboriginal and Northern Affairs

Manitoba Aboriginal and Northern Affairs
Communities Economic Development Fund

Agriculture, Food and Rural Initiatives

Manitoba Agriculture, Food and Rural Initiatives
Cooperative Loans and Loans Guarantee Board
Cooperative Promotion Board
Farm Machinery and Equipment Act Fund
Food Development Centre
Horse Racing Commission
Manitoba Agricultural Services Corporation
Veterinary Science Scholarship Fund

Competitiveness, Training and Trade

Manitoba Competitiveness, Training and Trade
Manitoba Development Corporation
Manitoba Opportunities Fund Ltd.
Manitoba Trade and Investment Corporation

Conservation

Manitoba Conservation
Manitoba Habitat Heritage Corporation
Pineland Forest Nursery
Tire Stewardship Board

Infrastructure and Transportation

Manitoba Infrastructure and Transportation
Crown Lands and Property Agency
Fleet Vehicles Agency
Manitoba Floodway Authority
Manitoba Trucking Productivity Improvement Fund
Manitoba Water Services Board
Materials Distribution Agency

Intergovernmental Affairs

Manitoba Intergovernmental Affairs

Science, Technology, Energy and Mines

Manitoba Science, Technology, Energy and Mines
Abandonment Reserve Fund
Economic Innovation and Technology Council
Green Manitoba Eco Solutions
Industrial Technology Centre
Manitoba Education, Research and Learning Information Networks (MERLIN)
Mining Community Reserve
Mining Rehabilitation Reserve
Quarry Rehabilitation Reserve

Water Stewardship

Manitoba Water Stewardship

JUSTICE AND OTHER EXPENDITURES

Legislative Assembly

Legislative Assembly

Executive Council

Executive Council

Civil Service Commission

Civil Service Commision
Organization and Staff Development

Culture, Heritage, Tourism and Sport

Manitoba Culture, Heritage, Tourism and Sport
Centre culturel franco-manitobain
Manitoba Arts Council
Manitoba Boxing Commission
Manitoba Centennial Centre Corporation
Manitoba Community Services Council Inc.
Manitoba Film and Sound Recording Development Corporation
Sport Manitoba Inc.
Travel Manitoba
Venture Manitoba Tours Ltd.

Employee Pensions and Other Costs

Pension Assets Fund

Finance

- Manitoba Finance
- Board of Administration under the Embalmers and Funeral Directors Act
- Companies Office
- Crown Corporations Council
- Insurance Council of Manitoba
- Land Titles Assurance Fund
- Manitoba Securities Commission
- Special Operating Agencies Financing Authority
- The Property Registry
- Vital Statistics Agency

Healthy Child Manitoba

- Healthy Child Manitoba Office

Justice

- Manitoba Justice
- Civil Legal Services
- Helen Betty Osborne Foundation
- Legal Aid Manitoba
- Manitoba Gaming Control Commission
- Manitoba Law Reform Commission
- The Public Trustee
- Victims Assistance Fund

Labour and Immigration

- Manitoba Labour and Immigration
- Office of the Fire Commissioner

Manitoba Seniors and Healthy Aging Secretariat

- Manitoba Seniors and Healthy Aging Secretariat

GOVERNMENT BUSINESS ENTERPRISES

- Leaf Rapids Town Properties Ltd.
- Manitoba Hazardous Waste Management Corporation
- Manitoba Hydro-Electric Board
- Manitoba Liquor Control Commission
- Manitoba Lotteries Corporation
- Manitoba Product Stewardship Corporation
- Manitoba Public Insurance Corporation
- Workers Compensation Board

SPECIAL ACCOUNTS, not attached to Sector or Department

- Debt Retirement
- Fiscal Stabilization

Budget Paper A

THE ECONOMY

Manitoba

THE ECONOMY

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THE CANADIAN ECONOMY

The Canadian economy grew 2.7% in real terms in 2007, down slightly from 2.8% growth in 2006 (see Chart 1). Nominal gross domestic product (GDP) increased by 5.9%, substantially higher than the 5.2% increase posted in 2006.

Last year saw the onset of significant instability in international credit markets caused by uncertainty regarding sub-prime mortgage-backed securities. These assets principally originated in the United States but were held by investors in several countries. The tightening of international credit conditions related to defaults on these obligations, combined with the continued decline in the U.S. housing sector, exerted a considerable drag on U.S. economic growth last year. By the fourth quarter of 2007, U.S. real GDP advanced at an annualized rate of 0.6%. Overall, the U.S. economy grew by 2.2% last year, the smallest increase in five years.

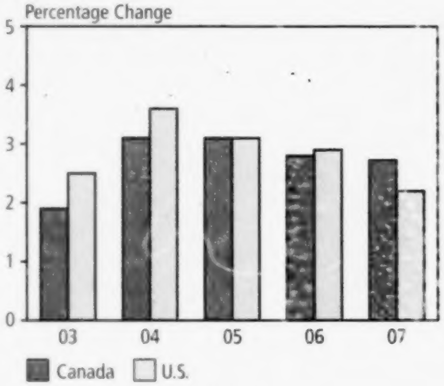
In Canada, strong prices for primary commodity exports, generalized U.S. dollar weakness and widening interest rate spreads versus the U.S. combined to push up the value of the Canadian dollar. The Canadian dollar achieved parity with the U.S. dollar on September 20, 2007, for the first time in over 30 years. Subsequently, the Canadian dollar rose to a modern-day high of US$1.09 on November 7 before declining to average approximately US$1.01 through the remainder of the year (see Chart 2). Through the first two months of 2008, it has averaged US$1.00. There is no consensus among private forecasters as to whether the Canadian dollar will strengthen or weaken against the U.S. dollar through the remainder of 2008, but no one is predicting a return to exchange rate values seen prior to 2006.

The combination of the stronger Canadian currency and the weakening U.S. economy has had a negative impact on exports to the United States. Merchandise exports to the United States fell 1.4% in 2007, although total merchandise exports rose 1.8% due to relatively good growth in exports to non-U.S. markets. The U.S. is Canada's largest trading partner, accounting for almost 80% of all exports in 2007.

U.S.-dollar denominated prices for most primary commodities produced in Canada continued to increase in 2007, buoyed by strong global demand, especially from China and India. Prices for many field crops, oil and gas, wood pulp and most metals advanced last year, building on a string of strong price increases which began in 2003 (see Chart 3). Gold and wheat achieved record-high prices in early 2008, and prices for most commodities are expected to remain high this year as long as firm global demand conditions persist.

Chart 1

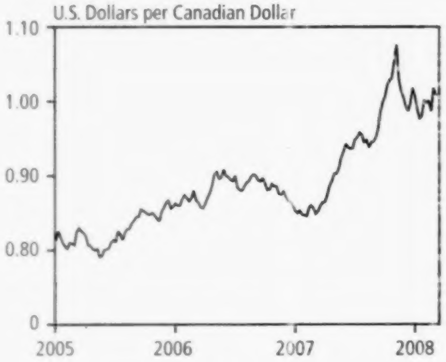
Real Gross Domestic Product At Market Prices



Sources: Statistics Canada
U.S. Bureau of Economic Analysis

Chart 2

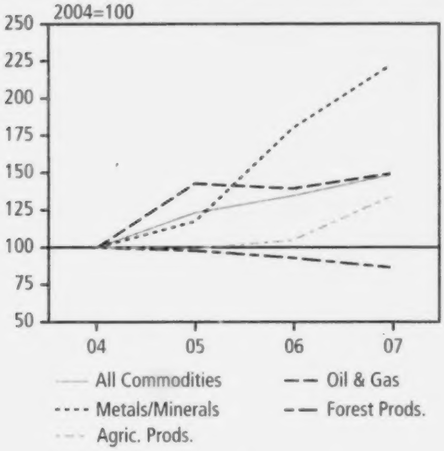
Canada-U.S. Exchange Rate



Source: Bank of Canada

Chart 3

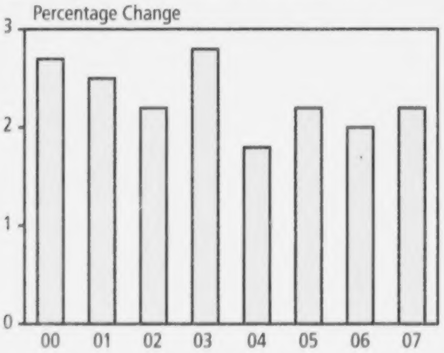
US$ Commodity Price Index



Source: BMO Capital Markets Commodity Price Index

Chart 4

Canada Consumer Price Index



Source: Statistics Canada

Despite increases in many primary commodity prices, overall inflation remained relatively contained in Canada, helped by the steady increase of the Canadian dollar which contained import prices for both consumer and industrial goods. In 2007, Consumer Price Index (CPI) inflation was 2.2%, marginally higher than the 2.0% rate posted in 2006 (see Chart 4). This rate of inflation was near the middle of the 1-3% inflation target band established by the Bank of Canada.

As noted, the Bank of Canada maintained relatively high interest rates in 2007, continuing the monetary tightening that began in 2004. This changed in December 2007 when the Bank responded to global financial market difficulties with a 25-basis-point (bp) rate reduction. The Bank delivered a further 25-bp rate reduction in January 2008 and another reduction of 50 bps on March 4, 2008, the largest single move since the rate cut in November 2001.

While the Bank of Canada eased rates late in 2007 and early 2008, the U.S. Federal Reserve responded to financial instability and the threat of economic recession with much more aggressive rate cuts. Between September 18, 2007 and March 18, 2008, the U.S. Federal Reserve chopped the Fed Funds rate by 300 bps (see Chart 5).

The modest monetary policy easing in Canada combined with an aggressive stance in the U.S. has widened the short-term Canada-U.S. interest rate spread (see Chart 6). The wider spread, with Canada maintaining a higher interest rate, played an important role in the appreciation of the Canadian dollar in the latter half of 2007 and in 2008.

Canada's labour market continued a robust performance in 2007 as employment rose 2.3% and the labour force grew 2.0%, the strongest increases since 2003. Canada's annual unemployment rate fell for the fifth consecutive year to 6.0%, the lowest annual rate since 1974.

While most sectors of the economy posted healthy increases in employment, difficulties faced in Canadian manufacturing prompted another year of job reductions in that industry. The strengthening Canadian dollar, higher energy prices and a weakening U.S. market combined to limit manufacturing sales growth to 0.4%. In this environment, manufacturing employment contracted 3.4%, the third consecutive annual decline. Since 2004, Canadian manufacturing employment has declined by almost 250,000 jobs. Despite the malaise in the overall sector, manufactured products related to primary commodities such as petroleum products and primary metals are very strong, with increased sales to non-U.S. destinations.

Canada's housing market remained relatively steady in 2007, unlike the U.S., with a small increase in housing starts and moderate increases in house prices throughout the country. Consumer confidence was also reflected in strong retail sales, which increased 5.8% last year.

Private economic forecasters surveyed by Manitoba Finance project slower employment growth in 2008 and 2009 due to a general weakness in the Canadian economic outlook. Employment growth is projected at 1.4% in 2008, the weakest growth since 2001. For 2009, forecasters expect average employment growth of 1.1%. The national unemployment rate is expected to increase to 6.1% in 2008 and 6.2% in 2009, moderately higher than 2007 but still very low relative to unemployment rates prevailing over the past decade.

The International Monetary Fund (IMF) projects that world economic growth will slow from almost 5.0% in 2007 to 3.7% in 2008. Most of the slower growth will occur because of weakness in advanced economies, including the United States, Europe and Japan. These countries are forecast to post real GDP growth of about 1.5%. On the other hand, Asia, particularly China and India, will continue to post exceptionally robust growth, according to the IMF.

Manitoba Finance's survey projects economic growth in Canada to increase by 1.9% in 2008 and a further 2.4% in 2009. With the expectation of GDP inflation easing in the next two years, nominal GDP is expected to slow in 2008 to 4.2% and 4.3% in 2009.

Considerable risks remain for the Canadian economy in 2008. The most significant of these is the risk of a major economic slowdown, or a possible recession, in the United States. Economic indicators released in early 2008 confirm that the U.S. economy is indeed slowing. Serious economic weakness in the U.S. will have a negative impact on the Canadian economy as a weaker export sector will spill over into the non-export components of the Canadian economy, such as consumption, investment and government fiscal performance.

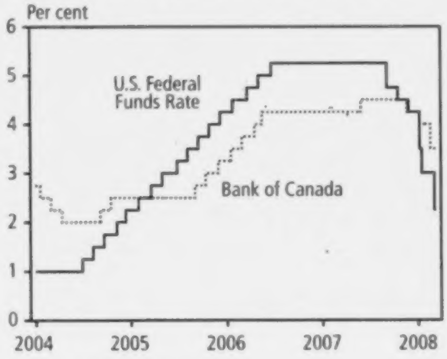
THE MANITOBA ECONOMY

Preliminary estimates show that Manitoba's economy grew by 3.0% in 2007, following a 3.3% gain in 2006 (see Chart 7). Contrasting with the weakness in the U.S. and central Canada, Manitoba's economic performance in the last two years has been exceptionally strong. Domestic demand from consumers, businesses and government, combined with healthy interprovincial and foreign exports, buoyed Manitoba's growth.

After adjusting for inflation, consumer spending increased by 3.7% in 2007, an improvement from 3.3% growth in 2006. Real business investment spending jumped 14.1%, the second consecutive year of double-digit growth. Real exports increased by 3.2% last year compared to 0.9% for

Chart 5

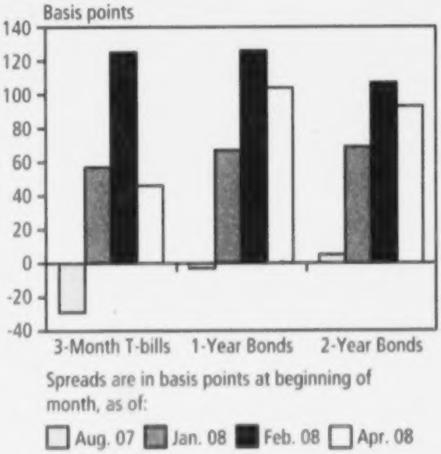
Canada and U.S. Interest Rates



Source: Bank of Canada

Chart 6

Interest Rate Spreads, Canada less U.S.



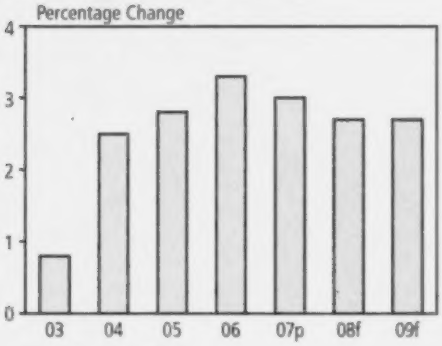
Spreads are in basis points at beginning of month, as of:

Note: If spread is positive, then Canadian yield exceeds U.S. yield.

Source: BMO Capital Markets

Chart 7

Manitoba Real Gross Domestic Product

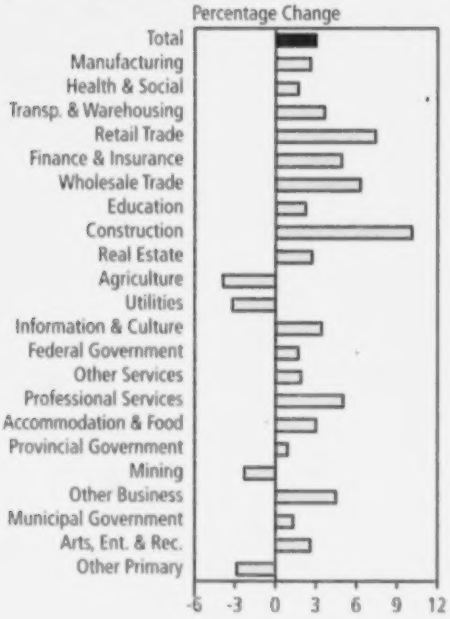


p - Preliminary f - Forecast

Sources: 2003-2007p: Manitoba Bureau of Statistics
2008-2009: Manitoba Finance, survey of economic forecasters

Chart 8

Manitoba Real Gross Domestic Product at Basic Prices by Industry, 2007p



p - Preliminary

Note: ranked by size in descending order

Source: Manitoba Bureau of Statistics

Canada. Increased demand for consumer goods and business machinery and equipment drove up real international imports by 8.2%, while imports from other provinces increased by 3.2%.

In respect of performance by individual industrial sectors, the construction industry output was the strongest overall in 2007, up by 10.1% (see Chart 8). Manufacturing also supported growth in the goods-producing sector, expanding by 2.6%. However, hampered by weather conditions, both the agriculture and utility sectors contracted in 2007. A drop in the volume of nickel production contributed to a 2.3% reduction in real mineral output. Retail and wholesale trade were the strongest service-producing sectors in 2007, expanding by 7.4% and 6.3%, respectively.

Population growth is an important factor underlying the province's economic performance. Through the Provincial Nominee Program, Manitoba has been successful in increasing population growth to levels not experienced since the 1980s. In 2007, the net loss through interprovincial migration decreased to 1,390 persons, the lowest level in 23 years. Growing employment opportunities and a relatively low cost of living have strengthened Manitoba's interprovincial migration performance.

Solid population growth and a surge of "echo boom" homebuyers entering the market have supported housing demand. To meet growing demand, new home construction has grown considerably and resale activity has been strong with many homes selling above the initial asking price. Manitoba housing prices remained affordable due to reasonable interest rates and rising Manitoba incomes. According to the latest Housing Affordability Index, published by RBC Economics, Manitoba is ranked as having the most affordable housing in Canada in three out of four housing categories that RBC surveys.

Corporate and personal income also grew at a substantial level in the last year. Two factors contributed to strong profit margins: high commodity prices, which increased margins; and a strong Canadian dollar, which lowered import costs.

To enhance profitability and productivity, Manitoba businesses have increased their capital spending on machinery and equipment and new technologies. The investment intentions survey from Statistics Canada suggests Manitoba will lead all provinces in investment spending growth for the second consecutive year in 2008. Capital spending is expected to increase in most sectors, but will be especially higher in transportation, utilities, construction and other services.

Employment growth has progressively improved over the last three years, increasing by 1.6% in 2007, up from 1.2% and 0.6% in 2006 and 2005, respectively. Manitoba's economy created 9,500 additional jobs in 2007,

Manitoba Real Gross Domestic Product, at Basic Prices by Industry, 2006 and 2007p

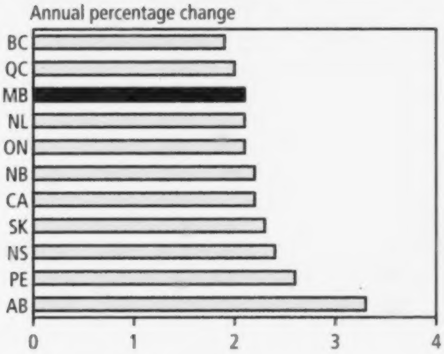
(Millions of Chained 2002 Dollars)	2006	2007p	Percentage Change
Goods	**10,229**	**10,388**	**1.6**
Agriculture	1,691	1,626	-3.9
Mining	775	757	-2.3
Other Primary	94	91	-2.9
Manufacturing	4,564	4,684	2.6
Construction	1,689	1,860	10.1
Utilities	1,416	1,370	-3.2
Services	**26,408**	**27,352**	**3.6**
Transportation & Warehousing	2,500	2,589	3.6
Information & Culture	1,211	1,252	3.4
Wholesale Trade	2,065	2,195	6.3
Retail Trade	2,402	2,578	7.4
Finance & Insurance	2,144	2,249	4.9
Real Estate	1,671	1,717	2.7
Imputed Rent	3,083	3,183	3.2
Professional Services	899	944	5.0
Other Business Services	702	733	4.5
Federal Government	1,207	1,228	1.7
Provincial Government	846	854	0.9
Municipal Government	503	509	1.3
Education Services	1,911	1,952	2.2
Health & Social Assistance	3,029	3,080	1.7
Arts, Entertainment & Recreational	345	354	2.6
Accommodation & Food	835	860	3.0
Other Services	1,054	1,074	1.9
Real GDP at Basic Prices	**36,637**	**37,740**	**3.0**

p – Preliminary
Source: Manitoba Bureau of Statistics
Totals may not add due to rounding and chained.
Percentage change based on unrounded data.

the best growth since 2002. The increased level of job creation encouraged greater participation in the labour market. Last year, almost 70% of working-age Manitobans were either working or looking for work. This is the third-highest rate among provinces. The tight labour market conditions held the unemployment rate at 4.4% in 2007, the fourth-lowest rate among provinces.

Chart 9

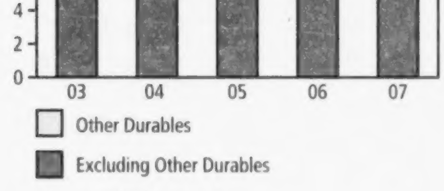
Consumer Price Index by Province, 2002 to 2007



Source: Statistics Canada

Chart 10

Manitoba Manufacturing Sales



Source: Statistics Canada

Last year, on the strength of employment and farm income, personal income increased by 5.1%, the best increase in seven years. This follows a 4.9% gain in 2006. Income for farmers rose 27.6% in 2007. The outlook for income in 2008 remains firm, with the Conference Board of Canada projecting 4.8% growth.

Consumer price increases have remained low and stable at a 2.1% annual average growth in the last five years, tied for the third lowest among provinces (see Chart 9). In 2007, the increase in consumer prices was due in large part to strong growth in shelter costs, alcohol and tobacco, and food costs. Reflecting the strength of the Canadian dollar, the price for clothing and footwear deflated by 0.4% and household operations and furnishings increased by 0.2%.

Last year was exceptional for merchandise exports. With growth in the U.S. slowing, Manitoba's nominal exports were buoyed by shipments to non-U.S. destinations. Non-U.S. exports were up 36.7% in 2007, while U.S. exports were up 6.0%. Since the U.S. accounts for over 70% of international exports, overall exports increased by 13.2%, the third-best growth among provinces.

Based on Manitoba Finance's survey of private sector economic forecasters, real GDP is expected to increase by 2.7% in both 2008 and 2009, above the Canadian average in both years. The Conference Board of Canada forecast, included in the survey, predicts Manitoba will lead all provinces in 2008 with 3.7% growth. The survey projects employment growth will be unchanged at 1.6% in 2008, slightly above Canada, and 1.2% in 2009. Consistent with forecast economic activity, consumer price increases are expected to moderate to 1.7% in 2008 and rise to 2.1% in 2009.

Manufacturing

The manufacturing sector is Manitoba's largest industry, generating over 12% of total GDP and providing almost 12% of total employment and wages and salaries in the province. Manitoba has the third-highest manufacturing employment share among provinces, following Ontario and Quebec. Last year, employees in manufacturing earned a record $2.6 billion in wages and salaries.

The manufacturing sector in Canada faces a number of challenges: the speed and magnitude of the Canadian dollar's appreciation, increased global competition, tighter credit conditions, slower U.S. demand for Canadian goods, and skilled labour availability. Despite these pressures, Manitoba's manufacturing sales performance have matched or exceeded the national growth in each of the past seven years. During this period, sales of manufactured goods rose on average by 5.1% annually while national sales increased by 1.3%. Similarly, Manitoba factories increased their employment by a total of 1.1% over the last seven years compared to a 9.1% decrease in Canadian factories. In 2007, manufacturing employment increased by 4,000, up 6.0% to a record 70,600 workers.

Sales of manufactured goods rose 8.1% in 2007, second best in Canada and well above the national rate of 0.4%. Manufacturers in the province are now shipping, on average, $1.3 billion worth of products per month. The industry set a new record in sales in 2007 at $16.2 billion (see Chart 10).

The increase in primary commodity prices has significantly contributed to the strong performance of Manitoba's manufacturing sector. Since Manitoba is a key player in refined and smelted metal production, the increase in metal prices boosted sales of "other durable" manufactured goods (see Chart 11). Since 2002, the increase in metal prices has contributed to a 158.3% increase in sales of other durable manufacturing products, while shipments excluding these products expanded 18.1%.

The increase in fuel prices over the last few years has stimulated the demand for both fuel-efficient transit buses and aerospace products. Recently, Winnipeg's New Flyer Industries, a manufacturer of heavy-duty transit vehicles, announced that it has received orders for up to 1,253 buses valued at over US$603 million. These orders are for a variety of vehicles, including 35-, 40- and 60-foot buses and diesel, hybrid-electric, and compressed natural gas propulsion systems. Combined with previous orders, the backlog of unit sales at New Flyer Industries has increased 41% over the past year, while the value of these orders has increased 69% to US$3.05 billion.

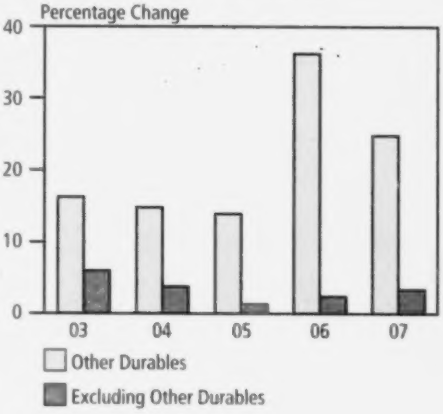
Similarly, Boeing Canada Technology expanded its Winnipeg operations by adding a new aircraft parts assembly line to produce advanced components for the new fuel efficient Boeing 787 Dreamliner. Boeing's Winnipeg facility supplies landing gear doors, wing-to-body fairings and other parts for the new plane made from carbon composites that reduce the weight of the plane.

These two companies contributed to the 18.4% increase in sales of transportation equipment in 2007 (see Chart 12), which follows solid gains in the sector in the previous two years.

The province-wide increase in residential and non-residential construction activity helped lift sales of non-metallic mineral products, including cement and concrete, by 10.8% and fabricated metal products by 8.9% in 2007. However, the strong dollar and competition from abroad dampened shipments of furniture and clothing products from the province. The recession in U.S. housing has also led to a contraction in sales of wood products which includes windows and doors.

Chart 11

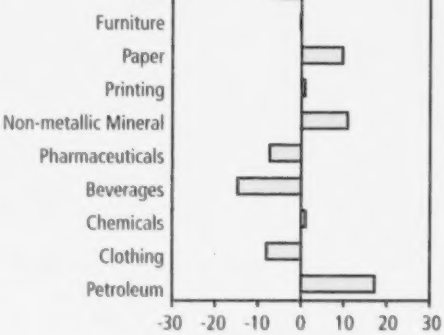
Manitoba Manufacturing Sales, Other Durables and Excluding Other Durables



Source: Statistics Canada

Chart 12

Manitoba Manufacturing Shipments by Industry, 2007



Note: ranked by size in descending order

Source: Statistics Canada

Buoyed by higher profits and lower import costs, manufacturing capital investment increased by 28.9% and 12.0% in 2006 and 2007, respectively. These investments boosted productivity, innovation and adoption of state-of-the-art technologies. Investments in "lean" manufacturing and leading technologies, such as Manitoba's Composite Innovation Centre, have helped Manitoba manufacturers remain competitive.

Capital spending is supported in the province by several incentives including the enhanced manufacturing investment and new green energy tax credits, and special short-term federal support that allows manufacturers to write off machinery and equipment at 50% per year.

The Conference Board of Canada's long-term provincial economic forecast cites capital investment as being a factor that will fuel growth in several Manitoba industries, including agri-food, aerospace and transportation equipment. The aerospace industry is noted as growing into one of the largest in the nation and promises to be an even more significant longer-term force within Manitoba's manufacturing sector.

Agriculture

> **"…we observed a positive turnaround in [Manitoba's] agricultural sector, due to the soaring prices of wheat, canola and barley on world markets."**
>
> **Laurentian Bank Securities**
> **The Provincial Monitor**
> **January 2008**

Agriculture is a major contributor to the Manitoba economy. Crop and livestock enterprises produce a variety of commodities and have strong linkages to food manufacturing, transportation and warehousing, retail and wholesale trade, as well as finance, insurance and real estate.

The agriculture sector is evenly distributed between livestock and crop production. Over the last 10 years, cash receipts from both livestock and crop operations averaged $1.6 billion.

In 2007, the performance of these two industries was varied. Crop farmers in the province produced a below-average harvest, partly because of uneven weather conditions. However, with high prices and marketing of carry-over stocks from the 2006 harvest, cash receipts for crops were solid. Falling prices, the strong dollar and rising feed costs have dampened income growth for Manitoba's livestock industry. Cash receipts fell for cattle producers in 2007 after two solid years. Hog producers earned lower receipts for the second consecutive year.

Planting conditions varied in 2007, with excessive moisture levels reported in the spring followed by unseasonably hot and dry conditions prevailing through mid-summer. At harvest, the conditions were generally cool and wet, slowing harvest and reducing yields. Relative to the exceptionally high volume of crop production in 2006, Manitoba's wheat harvest was down 15.1% and canola was down 6.1% in the 2007 season. Corn production, on the other hand, increased by 30%, while oats and barley rose by 24.5% and 15.5%, respectively.

With crop prices rallying in late 2006, many farmers stored their 2006 bumper crop on hopes of improved prices in 2007. Their expectations paid off as marketings increased in 2007 and receipts from grain and oilseed sales jumped 87.3% to a record $1.7 billion, 48% above the 10-year historical average. Consequently, despite lower yields in 2007, cash receipts from canola almost doubled and rose 74.2% for wheat (see Chart 13).

The strong grain and oilseed prices are in large part supported by factors that are temporary, such as low stocks and adverse weather conditions. Last year, several major grain-producing regions experienced poor growing conditions including areas of Canada, the U.S., Australia and Ukraine. At the same time, food demand from China and India continued to grow as personal incomes increased and diets were upgraded. The tight wheat market has lowered the global stock-to-use ratio to the lowest level in modern history. In the U.S., wheat supplies are expected to fall to a 60-year low this spring.

After two solid years, excess supply and flat demand for meat and meat products in Canada and the U.S. dampened prices and profitability for livestock producers in 2007. The weak U.S. currency also lowered receipts for farmers, since livestock exports are priced in U.S. dollars. Livestock production costs rose as farmers paid more for feed. Feed barley costs, for example, were up by 60% in the year ending September 2007. Corn prices were up by more than 50%.

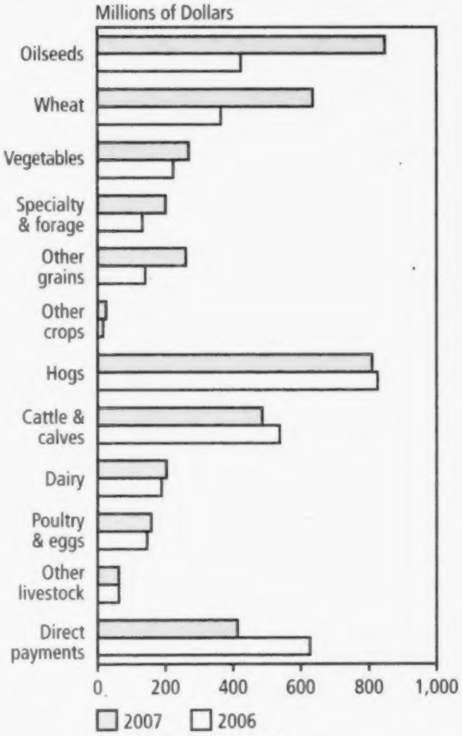
Given these circumstances, cattle producers reduced the size of their cattle and calf herds for the second consecutive year. In 2007, farmers reduced their herds by 1.5% after a 7.7% reduction in 2006. Much of the decline in the number of cattle held on farms was on feeder lots.

A positive note for cattle producers was the complete elimination of the U.S. trade restriction on Canadian older cattle, bison and related meat products. Effective November 19, 2007, the U.S. border re-opened for all meat products and for any live cattle born after March 1999. The border re-opening comes nearly five years after the discovery of bovine spongiform encephalopathy (BSE) in Alberta. Removing the trade barrier resulted in a 62% increase in cattle exports from Manitoba. The 2007 level of exports to the U.S. is above the pre-closure average annual export level. Despite the sharp increase in exports, lower prices reduced farm cash receipts for cattle and calf producers by 8.3%, the first decline after two years of growth.

Hog producers face the same challenges as cattle producers: a strong dollar, high feed costs and low prices. Hog production continued to expand in 2007 but farmers cut back on inventories. By the end of 2007, hog inventories were

Chart 13

Manitoba Farm Cash Receipts by Product, 2007 and 2006



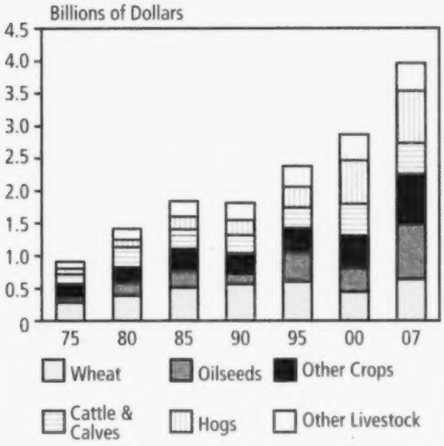
Source: Statistics Canada

reduced by 2.0%, or 60,000 pigs, to total 2.9 million animals. The hog price index, which tracks the price farmers receive, fell 4.4% in 2007 following a 12.9% decline in 2006. Since 2004, the index is down 22.6%. In keeping with the lower prices, farm cash receipts from hog operations fell 1.8% in 2007 after a 13.7% drop in 2006.

As feed costs continue to rise, the export market for younger hogs remains relatively attractive to Manitoba hog producers. In 2007, Manitoba exported 6.1 million hogs, up 12.4% from 2006. In the last three years, hog export growth has averaged 10.2% annually. Consistent with soft domestic demand for pork, lower prices paid to producers and higher feed costs, domestic slaughter has continued to decline after reaching a record high in 2004. Last year, hog slaughter in Manitoba declined by 9.4%.

Chart 14

Manitoba Market Receipts by Commodity



Source: Statistics Canada

Global agriculture is undergoing two very important structural changes that may keep crop prices above historical averages: first, the increased demand for crops for biofuel production and, second, farmer income support policy reforms, especially in Europe, that encourage a reduction in food production.

Biofuel production is supported by climate change initiatives designed to reduce global greenhouse gas emissions and lower dependence on non-renewable fossil fuels. In the U.S., the Energy Policy Act is ensuring that gasoline sold in the United States contains a minimum volume of renewable fuel. From the current estimate of about 4.8 billion gallons of ethanol blended into gasoline, the goal is to increase the volume of renewable fuel required to be blended to 7.5 billion gallons by 2012. The European Union is also promoting the use of biofuel as an alternative energy source by setting a 10% ethanol blend target for transport fuel in each member state by 2020.

In Canada, the federal government has mandated a 5% ethanol blend in gasoline by 2010 and a 2% biodiesel blend in on-road diesel and heating oil by 2012. In Manitoba, where the first Canadian ethanol production facility was built, the mandate requires a pooled average of 8.5% ethanol in the total volume of gasoline sold in the province. The mandate in Manitoba started on January 1, 2008 with a 5% ethanol requirement, ramped up to 8.5% on April 1, 2008.

As ethanol and biodiesel production increases, the increased need for feedstock will continue to support grain and oilseed prices and, through higher feed costs, the prices for livestock products. The current rally in crop prices began in 2006 as global ethanol production increased by 11.0% and Canadian ethanol production jumped over 150%. The Canadian farm product price index for all agricultural commodities rose by 0.5% in 2006 and another 8.4% in 2007, following three consecutive years of declines. Crop prices continue to be strong through the first quarter of 2008.

The rapid increase in crop prices does pose a near-term risk for the inflation outlook. Low global grain and oilseed supply, combined with growing demand, especially from China and India, are pulling up food prices globally. Canada has been somewhat insulated from this pressure due to the rising currency that lowers imported food costs.

> **"Manitoba's mining sector is experiencing one of the highest increases in exploration growth in Canada. The province introduced a 10% mineral exploration tax credit in 2002 and features a popular assistance program, which have boosted mining investment in the province."**
>
> **Scotia Economics**
> **Provincial Trends**
> **February 2008**

Minerals

Minerals are a key contributor to the Manitoba economy and are the province's second-largest primary industry. The minerals sector employs 6,400 people, most of whom reside in northern Manitoba, and offers among the highest wages.

Strong global demand for the province's commodities is driving the industry. The value of production in the minerals sector, including metals, non-metallic minerals and oil, totaled $3.1 billion in 2007, a record level and up almost three-fold compared to 2003. The value of metal production soared over the last two years, increasing by 72.8% in 2006 and 19.7% in 2007, to a record $2.4 billion (see Chart 15).

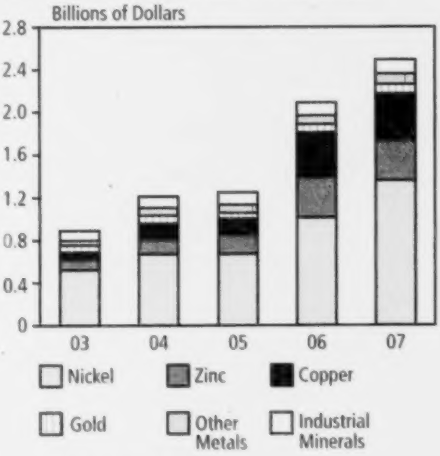
Manitoba's principal mineral resources are nickel, oil, copper, zinc and gold. All five commodities have recently posted prices that were significantly greater than their historical averages. High prices have encouraged much more investment in existing mining facilities and new mineral exploration. Manitoba's burgeoning oil industry is also experiencing increased production in response to higher prices and greater investment.

Global nickel inventories ended the year at their highest level in eight years, with a dramatic increase in the second half of 2007. World stocks rose from a low of 3,000 mega-tonnes (Mt) in early February 2007 to almost 48,000 Mt by the end of the year. Nickel prices fell in response, but were still historically high despite the considerable build-up of stocks. The average price of 2007 was C$18.29 per pound, up 46.7% over the average price of 2006.

Manitoba produces approximately 14% of Canada's nickel, and nickel is the province's most valuable mineral. Manitoba production volumes of nickel have been steady in the previous five years, but fell 8.8% in 2007 to 33.6 Mt. Higher prices boosted the value of production to $1.4 billion, a 34.2% increase on top of the 45.1% rise in 2006.

Chart 15

Manitoba Mineral Production



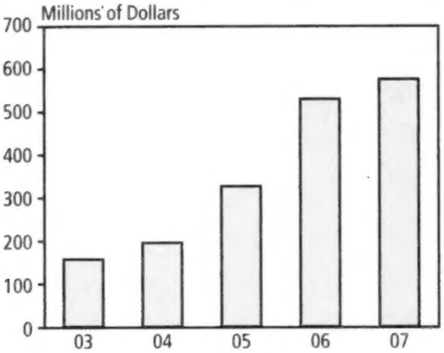
Note: excludes petroleum

Source: Natural Resources Canada

In 2007, global copper inventory dropped by half to about 102,000 Mt by July and rebounded to nearly 193,000 Mt by December 2007. Prices in 2007 generally mirrored the movement in the inventory level, increasing in the first half of the year and falling in the second half, but remained unchanged from 2006 on an annual average basis. Copper traded at C$3.28 per pound in January 2007 and closed at C$2.99 at the end of the year. Even with the price

Chart 16

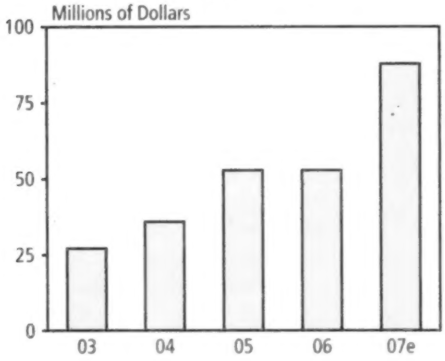
Manitoba Petroleum Production



Source: Manitoba Science, Technology, Energy and Mines

Chart 17

Manitoba Mining Exploration



e - Estimate
Source: Natural Resources Canada

fluctuations, copper production remained lucrative compared to the historical average of C$1.25 from 2000 to 2004. For February 2008, prices averaged C$3.57.

Copper production in Manitoba increased slightly in 2007 after large gains in the previous year. Output was up 1.4% to 55.5 Mt after increasing 54.3% in 2006. The price increases over the last two years have led to extraordinary gains in the value of copper production for Manitoba. Production value in 2007 increased 4.5% from the previous year to $436 million, after an elevated 173.4% gain in 2006.

Global stocks of zinc fell precipitously from 2005 to 2006 and have remained tight throughout 2007, despite a modest build-up in the fourth quarter. Nevertheless, prices declined steadily last year from a high of C$2.25 per pound to C$1.03 by the year's end, but zinc remained profitably above its historical price level and averaged C$1.10 in February 2008.

Manitoba zinc production, which accounts for 18% of national production, was steady at 105.6 Mt after advancing modestly over the past few years. The value of zinc production decreased from 2006 by 1.3% to $377 million in 2007, but is more than double any other previous year.

The price of gold averaged C$745 per ounce in 2007, up 8.7% over 2006. Much of the increase occurred in the second half of 2007, with the spot price increasing by a fifth from the end of June to close December at C$824. Used as a hedge against the U.S. dollar, gold continues to increase in 2008, averaging C$923 per ounce in February 2008 and trading near C$1,000 in March.

Elevated gold prices have invigorated exploration investment among several companies in Manitoba. Production in the province increased by 19.8% in 2006 and continued to rise, finishing 7.2% higher in 2007. Higher prices and production have increased the overall value of Manitoba gold production by 15.5%.

For the petroleum industry, the total number of drilled wells was strong at 324 in 2007, falling from a record 478 wells in 2006, but above the total in 2005. Manitoba oil production sustained a record level from 2006 with 1.2 million cubic metres of output, while oil prices increased to C$72.65 per barrel, on an annual average basis, from C$66.78 in 2006. Oil prices continue to achieve record highs this year. The value of production increased to $576 million in 2007, up 8.7% over 2006 (see Chart 16). Investment was also strong at $320 million in 2007, down from the record breaking $400 million of 2006, but better than historical averages.

Higher prices, clear and consistent regulation of companies and fair application of policies over time were all factors in attracting higher levels of investment in Manitoba's minerals industry last year. Manitoba mining investment is estimated at $87.9 million in 2007, up two-thirds from the $52.9 million spent in 2006 (see Chart 17). Exploration intentions are estimated to increase another one-third to $117 million in 2008.

After increasing production and investing $41 million in exploration last year, HudBay Minerals Inc. will spend another $43 million on zinc and copper exploration in 2008, particularly in the Lalor Lake deposit in the Flin Flon Greenstone Belt. Lalor Lake has potential for a 3.9-billion-pound zinc deposit on a property close to its Snow Lake concentrator and existing infrastructure.

As evidenced by higher capital spending, mining firms are showing a strong commitment to Manitoba's productive deposits. Capital investment increased 11.6% in 2007 to a level that more than doubles the amount invested in 2004. According to a survey of investment intentions conducted by Statistics Canada, investment will increase by 4.6% to $568 million in 2008 (see Chart 18).

In addition to rich mineral deposits, Manitoba offers a number of economic advantages that support the minerals sector including affordable land, at- or near-surface geological resources, a transparent land tenure system, a well-defined permitting and protected areas process, competitive business costs, skilled labour, high-quality transportation infrastructure, and reliable low-cost electricity.

Electricity Generation

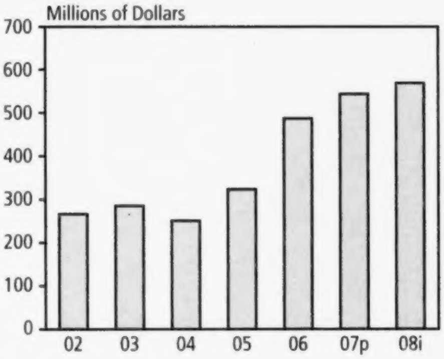
Manitoba has a strong commitment to develop renewable energy sources including new-generation hydro, geothermal, ethanol, bio-diesel, wind power and hydrogen.

Virtually all electricity produced in Manitoba is generated from water power, a renewable, clean source of energy. Manitoba Hydro, the province's largest utility, has 14 hydro-electric generating stations, primarily on the Winnipeg, Saskatchewan and Nelson Rivers. These stations have a capacity of approximately 5,000 megawatts (MW) (see table). Adding generating capacity from steam, combustion turbines and remote diesel capabilities, the total system capacity at Manitoba Hydro is about 5,470 MW. Manitoba also has 99 MW electricity generating capacity from wind.

Manitoba domestic electricity sales expanded 5.8% last year in line with economic and demographic growth. Revenues from domestic sales account for approximately 63% of total sales. In 2007, these revenues surpassed a record $1 billion. Coming off two solid years and remaining well above average, export sales of electricity decreased by 12.7%, due to lower capacity from

Chart 18

Manitoba Mining Capital Investment



p - Preliminary   i - Intentions
Source: Statistics Canada

Manitoba Hydro Generating Stations

Station	MW
Limestone	1,340
Kettle	1,220
Long Spruce	1,010
Grand Rapids	479
Kelsey	223
Seven Sisters	165
Jenpeg	132
Great Falls	131
Pine Falls	88
Pointe du Bois	78
Slave Falls	67
McArthur Falls	55
Laurie River 1 & 2	10
Total Hydraulic Capacity	4,992

Source: Manitoba Hydro

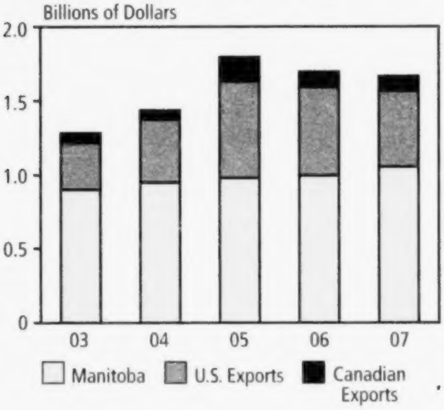
reduced water flows (see Chart 19). Sales to the U.S. decreased by 14.4%, while sales to Ontario and Saskatchewan fell 2.1%, although Manitoba Hydro's revenue through the end of fiscal 2007 was considerably better than in fiscal 2006.

The province's wind power strategy led to Manitoba's first wind farm development near St. Leon. This privately constructed wind farm sells electricity to Manitoba Hydro for distribution through its domestic and international network. The installation is 99 MW, comprising 63 wind turbines each with a 1.65 MW generating capacity.

Last March, Manitoba Hydro issued a Request for Proposals for the purchase of up to an additional 300 MW of wind-generated electricity. A 300-MW wind-farm would involve a capital investment in excess of $600 million and generate enough electricity each year to satisfy the requirements of about 90,000 natural gas-heated houses. Ten proposals of the 84 submissions were selected for further consideration.

Chart 19

Manitoba Hydro-Electricity Sales



Source: Manitoba Hydro

In order to meet growing domestic and export demand for electricity, Manitoba has several other projects under way or planned.

Construction has begun on the Wuskwatim generating station; a low-impact hydro-generating unit will be completed by 2012. The project involves establishing a 200-MW generation station at Taskinigup Falls on the Burntwood River. The business model for this project is unique in that it represents the first time Manitoba Hydro has entered into an equity partnership with a First Nation. The project is being managed by the Wuskwatim Power Limited Partnership, an equity partnership between Nisichawayasihk Cree Nation and Manitoba Hydro. The estimated cost for Wuskwatim is approximately $1.6 billion.

The Conawapa generating station is being planned. This station would be the largest hydro-electric project ever built in Manitoba. On the Lower Nelson River, 28 kilometres downstream from the existing Limestone Generating Station, Conawapa will add 1,250 MW of generating capacity. The water storage for the station is designed to remain almost entirely within the natural banks of the Nelson River, significantly limiting flooding. Construction of this facility would take eight years after receiving all regulatory approvals and licences. The estimated in-service cost of the generating station is over $5 billion.

Pointe du Bois Generating Station, the oldest hydro-electric plant operating in Manitoba, began producing electricity in 1911. A complete reconstruction of the station is planned. Manitoba Hydro would construct a new powerhouse, spillway and dam with modern operating and safety standards. The capacity of the station would be increased from 78 MW to approximately 120 MW.

The existing structure would be decommissioned on completion of the new station. The project is estimated to cost $800 million, with a planned in-service date of 2015.

Housing

The Manitoba housing market strengthened further in 2007 as housing starts achieved a two-decade high and resale activity accelerated. Manitoba starts were among the most active in Canada, increasing to 5,738 units, the highest level since 1987 (see Chart 20). Manitoba's growth ranked third strongest among provinces with an increase of 14.1%, significantly ahead of the national average of 0.4%.

Driven by apartment and condominium construction, multiple-unit starts gained 27.4% last year with 1,881 units built, the highest level since 1987. Single-detached starts achieved a two-decade high with 3,857 units constructed, up 8.6%.

Canada Mortgage and Housing Corporation (CMHC) projects Manitoba will be the only province with continued new housing growth over the medium term. Starts are forecast to increase 1.1% in 2008, the second-highest growth among provinces, and 1.7% in 2009, the highest increase. In contrast, Canada is forecast to decline 7.3% in 2008 and 3.3% in 2009.

Confidence in the Manitoba housing market continued to promote investment. The value of residential building permits has risen significantly in the past two years, increasing by almost two-fifths compared to 2005 (see Chart 21). The value increased to $966 million in 2007, up 16.5% from $829 million in 2006. Building permits outside of Winnipeg increased 23.6% to $371 million, in part due to more renovation activity and additions.

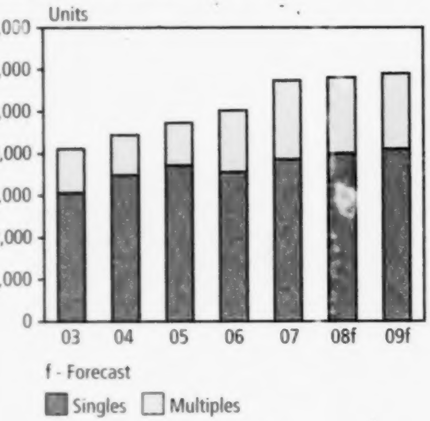
Total investment spending on new dwellings rose 21.6% to $855 million in 2007 with the second-highest growth among provinces. Construction of new apartments and single-detached housing led the large increase. Renovation investment activity set a new record in 2007, achieving a level of $1.1 billion, with 6.7% growth over 2006. Compared to 2000, Manitoba's annual renovation spending has doubled.

The heightened activity of the housing market and the slow growth in the number of listings in the resale market fuelled gains in residential resale prices. In 2007, CMHC estimates the average price for a house in Manitoba rose 12.5% over the previous year to $169,000 (see Chart 22).

Residential Multiple Listing Service (MLS) resale activity in 2007 grew 6.3%, in terms of the number of units, with the Winnipeg Realtors Association reporting a 19.3% rise in total dollar sales. Over 13,000 properties were

Chart 20

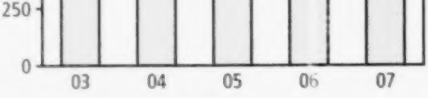
Manitoba Housing Starts



Source: Canada Mortgage and Housing Corporation

Chart 21

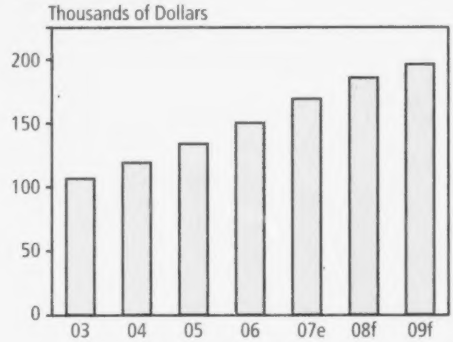
Value of Manitoba Residential Building Permits Issued



Source: Statistics Canada

Chart 22

Manitoba Average Residential Resale Price



e - Estimate f - Forecast

Source: Canada Mortgage and Housing Corporation

sold and dollar value was well over $2 billion for the first time, marking five consecutive years of double-digit growth in the residential resale market. Among all Winnipeg neighbourhoods, the weighted average price of residential detached MLS resales was $182,209, up 13.2% from 2006 and the strongest growth in the last five years.

CMHC forecasts a tight housing market for 2008, with Manitoba resale activity largely staying flat at 0.7% growth. Average prices are forecast to gain 9.8%, the second-highest increase among provinces. More resale activity is forecast for 2009, increasing 1.1% and prices are projected to rise more slowly at 5.7%.

Despite the rapid appreciation of housing prices, Manitoba remains affordable. The Housing Affordability Index, published by RBC Economics, ranks Manitoba as having the most affordable housing in Canada in three out of four housing categories: standard two-storey, standard townhouse, and standard condo; and Manitoba ranks second in the detached-bungalow category.

Retail Trade

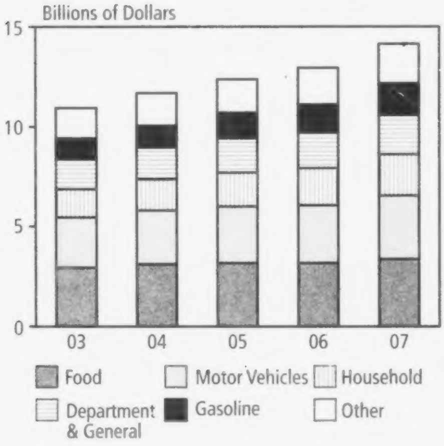
With higher incomes and increased purchasing power, Manitoba consumers enjoyed greater confidence last year. Manitoba's retail sales increased to $14.2 billion, up 9.5%, in 2007 (see Chart 23). Manitoba's improvement in retail sales ranks second highest among provinces and ahead of Canada at 5.8%. Over the past five years, retail trade has expanded at a robust pace in Manitoba, growing 34.1%, the third-highest increase in Canada.

The gains have come from all major categories of retail spending. The largest three sectors (food and beverage, new car dealers, and general and department stores) had combined growth of 7.2%. These sectors make up more than half of all retail sales. The rest of the retail sector boosted growth with a 12.6% expansion.

Among these remaining sectors, the wealth effect of rising real estate prices, as well as demand for goods related to new home construction, continued to encourage spending. Retail sales at furniture stores increased 24.3% and sales for electronics, appliances and computers rose 15.7%. Renovation spending was an important factor behind the 11.7% rise in home centre and hardware sales. The only sector to decline was specialized building materials and garden stores, which contracted by 1.6%. This category makes up 1.3% of total retail sales. Overall, home-related retail spending, at 15% of total spending, increased 12.4%.

Chart 23

Manitoba Retail Sales by Type



Source: Statistics Canada

Motor vehicle sales and services, which represent over a fifth of all retail sales in Manitoba, increased 10.2% in 2007. New car dealers saw a 7.5% rise in sales in 2007 while selling 47,099 units. New motor vehicle sales were up 2.6% compared to 2006, most of which were trucks. Truck units include SUVs and minivans and represented 57% of new motor vehicle purchases at 26,918 units last year, while 20,181 passenger cars were sold. Building on a large, double-digit increase in 2006, used and recreational vehicles and parts sales gained 22.2%.

Higher gas prices contributed to a 14.4% increase in gasoline sales. The average retail price for gasoline in Winnipeg was over one dollar per litre in 2007 and the gasoline component of the Consumer Price Index for Manitoba was up 5.0% from 2006. Gasoline sales account for over a tenth of all Manitoba retail sales.

With growing population and personal incomes, plus relatively low personal debt (see Chart 24), the retail trade industry is expected to increase investment to keep pace. In a Statistics Canada survey of investment intentions, Manitoba's retail industry intends to invest $275 million in 2008, 15.4% more capital investment than in 2007.

Tourism

Manitoba's domestic tourism activity growth outpaced the national average in 2007 even as the number of U.S. visitors to the province fell to a record low. A combination of a strong domestic economy, higher personal disposable income, and record attendances at festivals mitigated some of the pressure from sustained high gasoline prices, the appreciation of the Canadian dollar and security concerns.

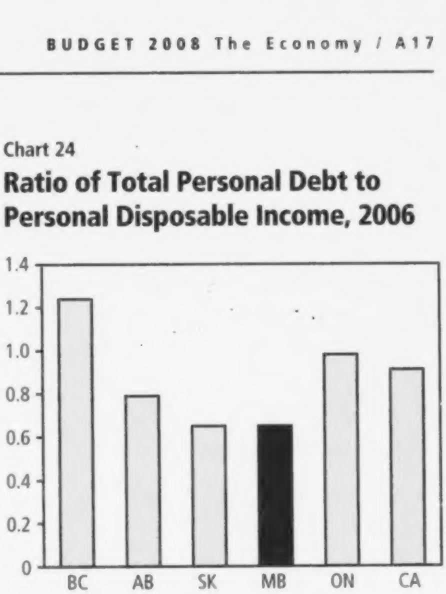
The total number of non-resident travelers entering the country into Manitoba fell 8.9% in 2007, slightly less than the Canadian decline of 9.1%. The number of U.S. travelers to Manitoba fell 9.4% and declined 11.0% nationwide. A large share of auto traffic passengers to Manitoba from Minnesota and North Dakota face not only higher currency and gasoline prices, but increased confusion over new U.S. passport requirements. These factors exerted a drag on overnight visits.

Trips to Manitoba by non-residents that were one or more nights in duration were down 5.8%. Same-day trips were particularly weak, down 12.8%.

Domestic tourism was buoyed as most of Manitoba's popular festivals and events reported growing success in 2007. Folklorama, North America's largest and longest-running multicultural celebration, achieved its largest draw in five years, with 459,000 visits to its 45 pavilions. The Winnipeg Fringe Festival

Chart 24

Ratio of Total Personal Debt to Personal Disposable Income, 2006

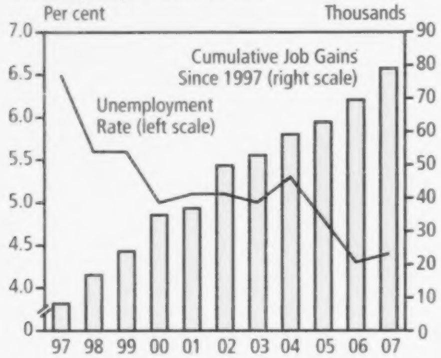


Source: Chartered Accountants Institute of Manitoba

> "Low unemployment and strong increases in personal disposable income in the province will help support the growing demand for pleasure travel."
>
> The Conference Board of Canada
> Travel Markets Outlook
> Autumn 2007

Chart 25

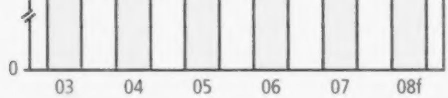
Manitoba Employment and Unemployment Rate



Source: Statistics Canada

Chart 26

Manitoba Unemployment Rate



f - Forecast

Sources: 2003-2007: Statistics Canada
2008: Manitoba Finance, survey of economic forecasters

attained a new record at 71,921 paid attendance for the 12-day event. The Winnipeg Folk Festival reported 44,791 concert-goers, just shy of its record attendance the previous year.

Manitoba has several prominent annual celebrations, such as the Festival du Voyageur, Jazz Winnipeg Festival, CBC Winnipeg Comedy Festival, Winnipeg International Writers' Festival, the Icelandic Festival, the Manito Ahbee Music Fest, Winnipeg International Children's Festival, and Northern Trappers' Festival among many others.

Passenger traffic at Winnipeg's James Armstrong Richardson International Airport was up 5.3% in 2007 after increasing 4.8% in 2006. Business travel supported increased passenger traffic.

The number of conventions held in Winnipeg increased 2.6% in 2007 as the number of delegates rose by 1.9% and value of the conventions went up by 4.3%.

Winnipeg hotel occupancy rates rose to 67.6% in 2007, despite the lower traffic from the U.S. Increased domestic and overseas travel to Manitoba are offsetting lower U.S. volumes.

Overall, the Manitoba tourism season was upbeat in 2007 owing to a strong economy, according to the Conference Board of Canada. The Conference Board estimates total domestic and foreign overnight trips increased 3.2% last year, with strong domestic pleasure and business travel. Manitoba outpaced Canada's 2.2% increase in total overnight visits in 2007.

In its outlook for 2008, the Conference Board projects travel to Manitoba will increase 2.6%, with improvements from higher disposable income, a growing economy, more business travel, and boosts from overseas travel markets such as the United Kingdom and Germany. However, the Board projects that U.S. visits will fall 5.1% in 2008, the fourth consecutive decline, due to a high currency, heightened gasoline prices and new passport regulations.

Labour Markets

In 2007, Manitoba's labour market expanded by 10,400 workers or 1.7%, the best annual growth since 2002. Over 91% of the new entrants were employed, boosting total employment to 596,500 workers, a 1.6% increase over 2006 (see Chart 25). The current labour market is supported by an average monthly population gain of over 1,000 persons and strong demand.

All the employment gains in the province were full-time positions (10,200), a growth rate of 2.2%; the number of part-time jobs fell by 800, or 0.7%. The number of unemployed increased marginally by 900, the first increase since 2004. The unemployment rate averaged 4.4% in 2007, indicating

95.6% of available workers in the province were employed. The provincial unemployment rate remained below 5.0% for the third consecutive year (see Chart 26).

Employment growth was buoyed by the goods-producing sector in 2007, which expanded by 5.0%. Construction sector employment increased by 13.0%, while manufacturing employment increased 6.0%. Utilities, mining and agricultural sectors all reported a reduction in employment in 2007. Employment growth in the services-producing industries was driven by a sharp increase in professional, scientific and technical services (8.5%) and a rise in public administration (6.9%).

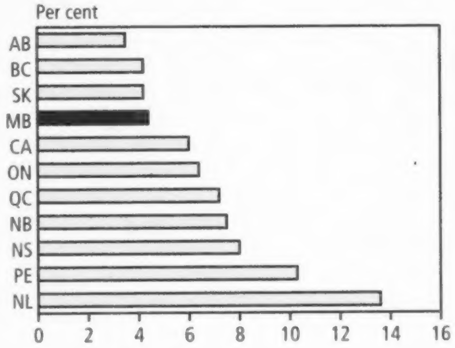
Across Manitoba, the labour market has been most active in Southeast and South-Central Manitoba. Since 2000, these two regions have surpassed all other regions for average annual growth in the labour force and employment. Both employment and labour force increased by 1.7% annually in Southeast Manitoba and by 1.6% annually in South-Central Manitoba. In contrast, the province's average annual growth in employment and labour force was 1.1% and 1.0%, respectively.

For the past two years, all seven regions of Manitoba have had an unemployment rate below 5.0%. In 2007, Manitoba's lowest unemployment rate was in the North-Central region at 3.0%, followed by the South-Central and Interlake regions at 3.4% (see table).

The relatively strong performance of the economy helped boost incomes in all industries and attract more participants to the labour market. Labour income, including supplementary income, increased by 6.9% in 2007, the highest increase since 1984 (see Chart 28). Riding the commodity price boom, wages in the mining and oil and gas extraction sector rose by 16.5%.

Chart 27

Unemployment Rate by Province, 2007



Source: Statistics Canada

Manitoba's Labour Force Statistics, 2007

Economic Region	Working Age Population	Labour Force	Employment	Unemployment	Unemployment Rate	Participation Rate	Employment Rate
	(Thousands)				(%)		
Southeast	76.4	52.5	50.4	2.2	4.2	68.7	66.0
South Central	43.0	29.5	28.5	1.0	3.4	68.6	66.3
Southwest	82.1	53.7	51.6	2.2	4.1	65.4	62.9
North Central	35.6	23.4	22.7	0.7	3.0	65.7	63.8
Winnipeg	532.7	377.2	359.2	18.0	4.8	70.8	67.4
Interlake	69.6	47.0	45.3	1.6	3.4	67.5	65.1
Parklands & North	59.2	40.5	38.8	1.7	4.2	68.4	65.5
Manitoba	**898.7**	**623.9**	**596.5**	**27.4**	**4.4**	**69.4**	**66.4**

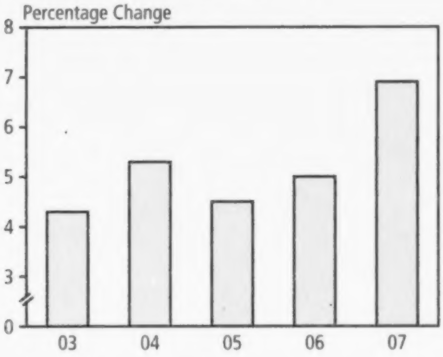
Source: Statistics Canada, Labour Force Survey (LFS)

LFS does not include persons on reserves, members of the armed forces and people living in institutions (penal institutions, hospitals, nursing homes).

LFS totals may not add due to rounding.

Chart 28

Manitoba Labour Income



Source: Statistics Canada

Strong employment demand in construction propelled income in the sector by 15.9%. The buoyant housing sector helped lift labour income in finance, insurance and real estate sector by 8.5% in 2007. The non-commercial service sector also fared well with income growth in health care and social services up 7.9%, education up 6.3% and public administration up 5.9%. Income in the manufacturing sector rose by 5.5%, while the utilities (2.9%) and agriculture (1.2%) sectors showed modest gains.

In the near term, Manitoba Finance's survey of private sector economic forecasts indicates sustained strength in job creation in Manitoba. The survey is calling for 1.6% employment growth in 2008 and a further 1.2% rise in 2009. The unemployment rate is forecast to decline to 4.2% in 2008 and increase to 4.3% in 2009.

Participation and Employment Rates

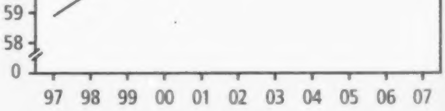
Other healthy signs for Manitoba's labour market are the worker participation rate and the employment rate. The participation rate, an indicator of labour market conditions, shows the size of the labour force relative to the working-age population. Buoyant employment demand attracts workers in the labour market and raises the rate, while slow demand reduces it. The employment rate indicates the degree to which an economy can productively employ its population and shows the number of employed workers relative to the working-age population.

With good employment opportunities, the participation rate in Manitoba increased to 69.4% and the employment rate rose to 66.4% in 2007 (see Chart 29). Both setting new records and both ranked third highest among provinces.

The labour market conditions for older workers have significantly improved as their participation rate rose faster than any other age cohort. These workers continue to remain at work longer than their counterparts in previous generations. In the last ten years, the participation rate for workers aged 55 to 65 increased by 13.5 percentage points to 64.3%, compared to an increase of 2.7 percentage points for all workers. This bodes well for future growth in the province, especially with an aging demographic base, while instilling employers with confidence and adding to overall stability in the labour market.

Chart 29

Manitoba, Canada and U.S. Employment Rates



Sources: Statistics Canada
U.S. Department of Labor

Average Weekly Earnings

Manitoba's average weekly earnings increased 4.6% in January 2008 compared to the same period last year. Manitoba's increase in average industrial earnings was the second highest among provinces and higher than Canada at 3.1%.

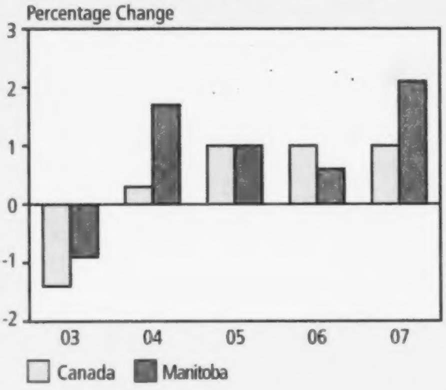
Manitoba's average weekly earnings grew 4.2% in 2007 to $702. Manitoba's increase was third highest among provinces and well above Canada's increase of 3.2%. Manitoba's increase last year was the highest in almost 20 years.

Earnings growth has exceeded the national average in three of the last four years. In 2007, Manitoba's increase was the strongest posted in almost twenty years. After accounting for inflation, since 2002, Manitoba's real average earnings have increased 4.6%, the second-highest growth in Canada (see Chart 30).

Growth in average weekly earnings last year was led by education services (7.8%), construction (6.0%) and manufacturing (5.6%).

Chart 30

Real Average Weekly Earnings



Sources: Statistics Canada

Labour Market Definitions

Employment: Number of non-institutionalized, civilian working age adults (15 years of age and older) working at paid jobs plus those who are self-employed, including unpaid workers who contribute to the family's farm or other business.

Unemployment: People without work who are available for work and are actively looking for jobs, or have looked for work in the previous four weeks.

Labour Force: The sum of employed and unemployed. Excludes those who are not employed and who are not looking for work.

Participation Rate: Labour Force as a percentage of working-age adults.

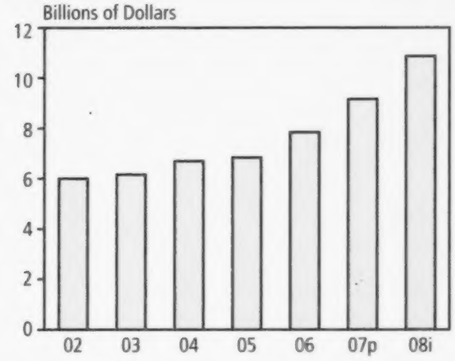
Employment Rate: Employment as a percentage of working-age adults.

Investment

Capital spending has been strong in Manitoba over the last two years, increasing 14.6% in 2006 and 16.8% in 2007. Over this period, total capital expenditures rose by 34% from $6.8 billion in 2005 to $9.2 billion in 2007, a $2.3 billion gain. New capital spending was broad based with significant increases in the transportation, minerals and utility sectors. Construction and machinery and equipment investments were also strong. This strong performance occurred despite the environment of higher interest rates, slowing U.S. demand for Canadian products and a stronger Canadian currency.

Chart 31

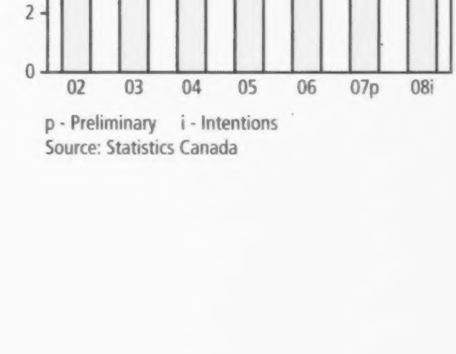
Manitoba Total Capital Investment



p - Preliminary i - Intentions
Source: Statistics Canada

Chart 32

Manitoba Private Capital Investment



p - Preliminary i - Intentions
Source: Statistics Canada

According to the 2008 Statistics Canada's Survey of Private and Public Investment Intentions report, the positive momentum in capital spending is expected to continue. This report suggests Manitoba will lead all provinces in capital spending growth this year, with an 18.8% increase over 2007, up $1.7 billion to a record $10.9 billion (see Chart 31). This rise is well above the anticipated national increase of 5.2%. In 2008, Manitoba is expected to lead the nation in capital investment for the second consecutive year.

Intentions for private sector capital spending, which accounts for approximately 72% of all new investment in the province, is up 22.4% in 2008, while public investment intentions are up 10.6% (see Chart 32). The private capital investment increase will be the highest among provinces. Capital investment in new construction is expected to increase by 22.2% and rise by 13.0% in machinery and equipment.

The decision by TransCanada Corporation to build the Keystone Pipeline through Manitoba featured prominently in the investment intentions estimate. The $450-million pipeline project along with other ongoing projects, such as the Winnipeg airport construction, are expected to boost transportation sector capital spending by 135.0% to $1.6 billion in 2008. A significant investment in machinery and equipment will lift administrative and support, waste management and remediation services investment by 112.8% in 2008, the second-strongest sector in Manitoba. Construction of the Wuskwatim Generating Station and the downtown Hydro Tower will boost capital expenditure in the utilities sector by 46.2% this year. Investment in the manufacturing sector will decline by 19.1% in 2008, following two years of strong growth.

There are several factors promoting strong capital spending in Manitoba: buoyant domestic demand fueled by continued population growth; rising wages and personal incomes; strong corporate profit growth; revaluation of mining, mining exploration and agriculture investments due to record or near-record prices; higher rate of return on investments due to relatively low land and energy costs and lower prices on imported productivity-enhancing machinery and equipment arising from the stronger currency.

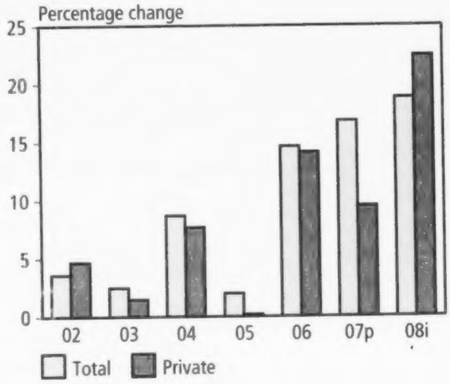
Several major capital projects have just been completed, are under way or are being planned. Examples include the following:

- Construction is continuing on the $665-million **Red River Floodway Expansion**. This undertaking more than doubles the capacity of the existing floodway. The expanded waterway will protect the City of Winnipeg from a one-in-700-year-level flood. The completion date for the project is 2010.

- A new airport terminal building and other infrastructure is being constructed at the **Winnipeg James Armstrong Richardson International Airport.** The Winnipeg Airports Authority's project represents an approximate $580-million capital investment. The new terminal is designed to accommodate the newer wide-body aircraft. A new four-level, 1,559-stall parkade was recently opened and the entire project is expected to be completed in 2009.
- **Vale Inco** is considering a $750-million investment that would boost production at its Thompson operations for mining, milling, smelting and refining by about 36% and extend the life of the mine to 2027. The expansion plans would see Vale Inco employ an additional 100 people over the next several years, bringing its Thompson-area workforce to about 1,700.
- The federal government has declared the **Canadian Museum for Human Rights** a federal institution and it will be the first national museum outside Ottawa. The $265-million museum in Winnipeg is scheduled to open in 2011. The federal government has committed $100 million for capital costs and $22 million annually for ongoing operation. The City of Winnipeg committed $20 million and the provincial government will double its capital support to $40 million.
- **HudBay Minerals Inc.** is committed to spending approximately $120 million in 2008 on capital projects including exploration activity. This follows expenditures of $98 million and $119 million in 2006 and 2007, respectively. In addition, HudBay Minerals' aggressive exploration plan focuses on the Flin Flon Greenstone Belt, targeting new discoveries and advancing the Lalor Lake deposit through ongoing drilling. The Flin Flon-Snow Lake Belt is considered to be among the most productive belts in the world with over 20 currently and past producing copper, zinc, gold and silver deposits.
- Several accommodation-related capital projects: **Canad Inns** will build a $25-million, 19-storey hotel adjacent to the Health Sciences Centre. The hotel will boost Winnipeg's reputation as a world class biotechnology and life sciences centre by linking accommodation services next to a health care facility which includes the new Siemens Institute for Advanced Medicine. **Place Louis Riel All-Suite Hotel** will undergo a $15-million renovation to meet growing demand. The project will be completed by late 2009 or early 2010. **Lakeview Management Inc.** plans to construct a seven-storey, 100-room luxury hotel next to the Winnipeg airport terminal building and a 50,000-square-foot office building to bridge the gap between the new hotel and the existing airport hotel. The total estimated cost is $28 million and the project could start as early as fall 2008. The expected completion date is late 2009 or early 2010.

Chart 33

Manitoba Capital Investment Growth



p - Preliminary i - Intentions
Source: Statistics Canada

> **"Continued strength in non-residential construction and a strong increase in retail sales were also pillars of growth."**
>
> **Laurentian Bank Securities**
> **The Provincial Monitor**
> **January 2008**

- **Siemens Institute for Advanced Medicine** is constructing an 80,000-square-foot facility at the Health Sciences Centre that will house some of the most innovative experimental procedures and technology. The public-private funded project is estimated at $35 million. Construction is under way and expected to be completed in late 2008.
- **CentreVenture Development Corp.** announced a $40-million capital investment project over the next two years to rebuild a nearly three-block section of downtown Winnipeg. The cornerstone will be a new $30-million, four-storey, 80,000-square-foot office/parking/retail complex. The office building will serve as the new head office for the Winnipeg Regional Health Authority, bringing about 200 office workers to the area.
- **Canada Post** plans to spend more than $50 million to replace its downtown Winnipeg sorting plant with a new, environmentally-friendly facility. The crown corporation has begun a search for a developer to design and build a structure that will achieve certification under the U.S. Green Building Council's Leadership in Energy & Environmental Design (LEED) Rating System.
- **Hudson Bay Railway Company** (HBRC), with the Government of Canada and the Province of Manitoba, announced $68 million in public and private sector support for upgrades to the Hudson Bay rail line and the Port of Churchill. The project involves upgrading the 1,300-kilometre Hudson Bay Railway line and improving infrastructure at the port. The two governments are providing $48 million in total, cost shared 50-50. HBRC is committing $20 million for rail-line maintenance as part of a renewed 10-year agreement by its parent company.
- **TransCanada Corporation** is set to begin construction on the Keystone Pipeline, a crude oil pipeline stretching from Hardisty, Alberta through to the U.S. Midwest markets at Wood River and Patoka, Illinois. The project involves the conversion of an existing natural gas pipeline to crude oil and construction of a new pipeline. Manitoba's portion of the $5.2-billion project is expected to cost $425 million. This pipeline will have an initial capacity of 435,000 barrels per day in 2009 and expand to 590,000 barrels per day in late 2010.
- The **University of Manitoba** announced Project Domino, a series of capital projects valued at over $100 million. The project will start this year and take five years to complete. This undertaking will affect 13 faculties and result in the construction of a new 350-bed residence and renovation of other structures on campus including converting an auditorium into a 400-seat performing arts theatre.

- In November 2007, the **University of Winnipeg** unveiled an unprecedented $70-million capital campaign titled "A World of Opportunity." The campaign has already raised almost 80% of the total contribution. These funds will support innovative campus development projects including the Richardson College for the Environment & Science Complex – a state-of-the art facility built at the downtown campus – and the CanWest Centre for Theatre and Film, as well as a proposed new student housing building and child-care facility.
- The **Winnipeg Indoor Soccer Complex** is set to be built at the University of Manitoba. The $12.5-million facility is funded jointly by the University of Manitoba, the City of Winnipeg, the Province of Manitoba, the Government of Canada and the Winnipeg Soccer Federation. The 105,000-square-foot complex will consist of four indoor playing fields, pro shop, restaurant, lounge and concession stand.
- Construction began on the new $12.5-million **East District Police Station** in September 2007. City council approved a public-private partnership project that will amalgamate Winnipeg's six-district police service into a four-district model. The new station will replace current stations in St. Boniface and Transcona.
- **Thompson Regional Airport Authority** plans to build a new terminal at an estimated cost of approximately $15 million including infrastructure. Construction is expected to begin September 2009. The existing airport terminal building will be leased out. In 2006, the airport authority completed the rebuilding of a 1,800-foot runway and the extension of the gravel runway.
- Manitoba Hydro is in the planning stages for the construction of the **Conawapa Generating Station**. With a net capacity of 1,250 MW and an estimated in-service cost of $5 billion, Conawapa will be Manitoba's largest hydro-electric project. The project will create about 13,000 person years of direct and indirect employment over its eight-year construction period.
- Manitoba Hydro is planning to reconstruct the **Point du Bois Generating Station**. The modernization will entail the construction of a new powerhouse, spillway and dam. The new facility will increase the capacity from 78 MW to 120 MW. The estimated cost of the project is $800 million.

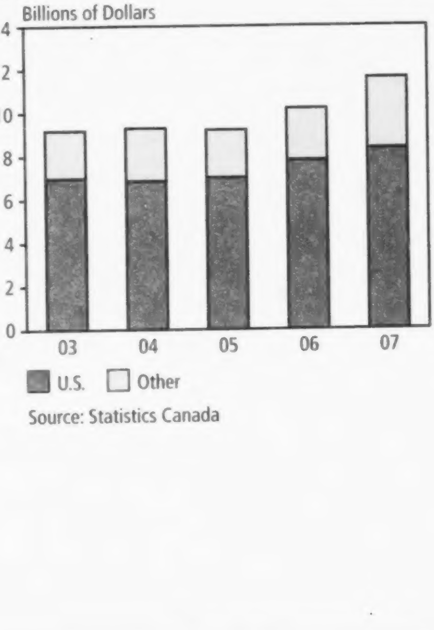
Foreign Markets

Manitoba's export performance was among the best in Canada last year. The value of foreign merchandise exports increased 13.2% to $11.5 billion in 2007 (see Chart 34), the third-highest increase among provinces. Canada's total

> **"Strength in both residential and non-residential construction, along with a sturdy manufacturing sector, buoyed the province's economy."**
>
> **BMO Capital Markets**
> **Winter 2008**

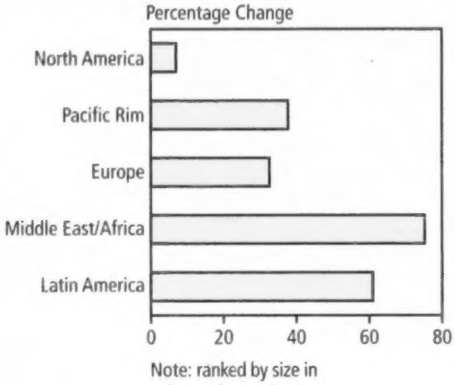
Chart 34

Manitoba Foreign Merchandise Exports



Source: Statistics Canada

Chart 35
Manitoba Foreign Exports By Region, 2007



Note: ranked by size in descending order
Source: Statistics Canada

> *By fostering trade between countries aside from the U.S., both Manitoba and Canada have reduced their dependency on U.S. markets over the past five years.*

exports were up more modestly at 1.8%. Despite the high Canadian dollar, Manitoba sales to the U.S. still increased, while Manitoba foreign exports to non-U.S. markets grew significantly. Gains were concentrated in metals and agricultural goods.

Manitoba's exports to the U.S., which accounted for about 72% of total foreign merchandise exports last year, grew $472 million, or 6.0%, while Canada's U.S. exports declined 1.4%. Almost three-fifths of Manitoba's exports to the U.S. were destined for mid-western states, rising 13.3% in 2007. Exports to Michigan and Nebraska surged, largely due to metals sent to Michigan and cattle destined for Nebraska. Although the Canadian dollar appreciated against the U.S. dollar last year, high commodity prices contributed to healthy growth in the value of exports.

In 2007, Manitoba's exports to non-U.S. destinations jumped $875 million, or 36.7%, to $3.3 billion, with major increases to South Africa, Taiwan, China, Japan, Belgium, the United Kingdom and Hong Kong (see Chart 35). For Canada overall, exports to non-U.S. markets were up 16.6%. By fostering trade between countries aside from the U.S., both Manitoba and Canada have reduced their dependency on U.S. markets over the past five years. In 2002, the share of non-U.S.-bound goods to total Manitoba exports was 19.1%. Last year, non-U.S. markets accounted for 28.3% of Manitoba exports. Non-U.S. exports made up 20.8% of Canada's total exports in 2007, higher than its 13.2% level in 2002.

Increases in refined and smelted metal exports were behind most of the growth in exports to China, Hong Kong, Taiwan, Belgium and South Africa and, to a lesser extent, in the U.S. and U.K. The two latter countries purchased more alloyed metals as well. Gains in Japan and Mexico were largely in agricultural products. For the most part, these two countries purchased more oilseeds, but also increased consumption of processed meat products, wheat and other grains.

Though primary industries account for a small proportion of Manitoba's economy, their exports accounted for most of the improvement in foreign exports of 2007. Leading the way for total foreign exports were metals with an increase of $821 million over last year, up 54.7%. Cattle, oilseeds and grain exports also gained significantly compared to 2006.

Outside of primary goods manufacturing, notable improvements in the export sector were in fertilizer, aerospace products and parts, electrical equipment and material handling equipment.

For the majority of export industries, gains and losses were volatile as Manitoba companies adjusted to structural change in global markets. Twelve

Manitoba Foreign Exports

BY INDUSTRY	2003	2004	2005	2006	2007p	2007 Share
			(Millions of Dollars)			(%)
Manufacturing						
Primary Metals	870.4	963.1	920.8	1,623.5	2,458.5	21.3
Food	1,099.7	1,207.0	1,090.9	1,068.1	1,237.7	10.7
Transportation Equipment	865.1	923.0	1,013.2	1,059.8	1,115.9	9.7
Machinery	635.2	740.1	763.3	733.9	786.1	6.8
Chemicals	463.3	459.9	461.8	957.0	706.1	6.1
Plastics	271.5	291.6	314.6	303.3	286.1	2.5
Wood	363.0	468.9	449.8	332.6	277.1	2.4
Electrical and Electronic	214.3	221.3	250.2	244.1	257.4	2.2
Paper	264.0	254.2	262.3	262.8	239.7	2.1
Furniture and Fixtures	322.1	300.2	275.6	234.1	195.4	1.7
Fabricated Metals	123.8	138.6	174.4	178.9	178.7	1.6
Printing	130.8	134.1	138.0	138.8	118.0	1.0
Petroleum	187.6	166.3	97.2	90.0	115.9	1.0
Clothing and Textiles	134.4	112.2	88.7	78.8	75.0	0.7
Other Manufacturing	53.6	68.4	61.2	65.7	107.8	0.9
Total Manufacturing	**5,998.9**	**6,448.9**	**6,362.0**	**7,371.4**	**8,155.4**	**70.7**
Agriculture	2,057.7	1,947.4	1,713.1	1,584.6	2,102.8	18.2
Electricity	263.7	379.7	572.1	637.9	543.5	4.7
Crude Petroleum	488.7	106.5	96.5	92.6	246.4	2.1
Other Primary	31.3	30.1	32.8	40.0	73.3	0.6
Other Exports	353.8	384.2	436.2	458.8	410.6	3.6
Total Exports	**9,194.2**	**9,296.9**	**9,212.7**	**10,185.2**	**11,531.9**	**100.0**
BY DESTINATION						
United States	6,986.3	6,858.5	7,005.1	7,800.9	8,272.5	71.7
China	157.5	413.9	230.6	327.6	542.9	4.7
Japan	508.0	455.0	476.6	386.2	438.0	3.8
Hong Kong	130.8	171.7	129.8	204.2	295.6	2.6
Taiwan	54.9	61.8	60.5	96.1	193.3	1.7
Mexico	204.6	255.0	176.2	152.9	171.8	1.5
Belgium	115.0	74.7	87.4	77.9	122.0	1.1
United Kingdom	70.8	62.6	83.6	71.7	110.7	1.0
South Korea	43.3	45.9	90.8	75.6	71.1	0.6
South Africa	7.2	7.4	8.7	27.2	69.9	0.6
Other countries	915.7	890.4	863.5	964.8	1,244.1	10.8
Total Exports	**9,194.2**	**9,296.9**	**9,212.7**	**10,185.2**	**11,531.9**	**100.0**

Note: Totals may not add due to rounding.
Sources: Industry Canada and Manitoba Finance

of the largest 25 export sectors registered increases greater than 10% in 2007, while six industries declined by more than 10%.

Typically, contracting industries have less ability to pass on higher costs arising from a rising currency to their customers, while facing intense foreign competition for their goods. Manitoba industries that encountered export declines in 2007 include the printing sector, furniture and fixture manufacturers, paper mills, and motor vehicle body and trailer manufacturers.

According to Export Development Canada, the outlook for Manitoba exports this year is for modest growth over the double-digit gains in 2007. A weaker U.S. economic outlook and a sustained and high Canadian dollar are expected to temper foreign export growth this year, but Manitoba is projected to have the second-highest increase among provinces on the continued strength of primary industry exports.

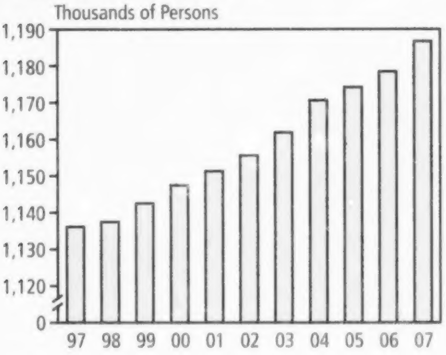
> "All combined, Manitoba is one of the better-positioned provinces to weather a U.S. slowdown."
>
> RBC Economics Research
> Provincial Outlook
> April 2008

Population

In 2007, Manitoba's population was estimated at 1,186,679 persons, up 0.7% or 8,187 persons from 2006 (see Chart 36). Population data is released quarterly; however, the July estimate is considered the "official annual" population for the year. At 0.7%, population growth was ranked fifth highest among provinces. The Canadian population increased by 1.0% in 2007, with all provinces showing gains except Nova Scotia and Newfoundland and Labrador.

Chart 36

Manitoba Population



Note: July 1 data

Source: Statistics Canada

Since July, the population has continued to expand at a relatively fast pace. The provincial population as of January 1, 2008 is estimated at 1,193,600 up by 6,887 from July and up 13,087 persons from a year previous. The twelve-month growth is the largest increase since 1982, with a record 9,170 more people coming to Manitoba from other countries than leaving, and 3,908 persons through net natural increase. The province also gained 1,399 persons through movement of non-permanent residents and Canadian citizens traveling abroad.

Good employment opportunities, strong wage gains and an affordable cost of living in Manitoba have significantly improved the trend in interprovincial migration. The loss through net interprovincial migration decreased sharply to 1,390 persons in 2007, the lowest level in 23 years and down from 9,298 and 7,658 persons in 2005 and 2006, respectively. The outflow to Alberta was cut from a net loss of 4,388 persons in 2006 to 905 persons last year. In the fourth quarter of 2007, Manitoba gained population through migration from Alberta.

Manitoba continues to attract young individuals to the province. Over the last nine years, Manitoba has gained persons aged 15-24. Last year (July 2006 to July 2007), Manitoba gained 802 persons in the youth category, up from 299 persons in the previous year. In 2003-04, net youth migration increased to 1,350, the largest increase in over twenty years.

The gain in youth migration has helped bolster their proportion in the total population. The share of youth has increased to 14.4%, the third-highest share among provinces and above the national average (13.6%). Manitoba also has the second-youngest population base among provinces with a median age of 37.4, in contrast to a median age of 39.0 in Canada.

As the unemployment rate declines to historical lows and the labour force participation rate nears an anticipated maximum, population growth is becoming increasingly essential for economic prosperity in all provinces. Worker shortages are developing in a number of sectors. At the same time, natural population growth (births less deaths) is dampened by an aging demographic base.

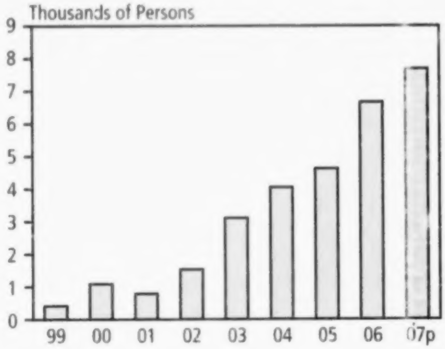
To boost population growth, Manitoba has been proactive, establishing the successful Manitoba Provincial Nominee Program (PNP). This program nominates applicants for permanent residence in Manitoba. The primary objective of the program is to increase immigration levels through innovative approaches that support Manitoba's demographic and economic development. This objective has been met by attracting more than 43,000 immigrants over the past five years. Within eight years, the number of annual provincial nominees has increased to over 70% of total provincial immigration at 7,680 persons in 2007 (see Chart 37). Manitoba's share of Canadian immigration rose to 4.6% last year, above Manitoba's population share for the second consecutive year.

A new goal for the PNP was announced in last year's Speech from the Throne. The new objective is to incrementally increase immigration to 20,000 persons by 2016. Sustaining this level of balanced increase will ensure a steady flow of new workers for the labour market and help expand the provincial economy, supporting housing, retail and other services.

Largely due to the positive momentum from the PNP, Manitoba's population increased by an average of 7,105 annually over the past five years, up from 4,451 over the previous five-year period. During the same five-year period, immigration more than doubled, increasing to 8,604 from 4,117 annually while the average annual natural increase slowed to 3,984 from 4,321 annually. In 2007, Manitoba set a new record for international immigration with a preliminary total of 10,947 persons (see Chart 38).

Chart 37

Manitoba Provincial Nominee Program



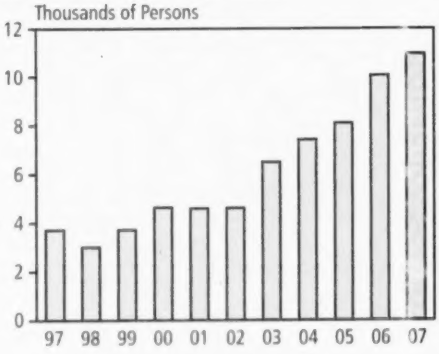
p - Preliminary

Note: Provincial Nominees are a subcategory of Economic Class Immigrants

Source: Citizenship and Immigration Canada

Chart 38

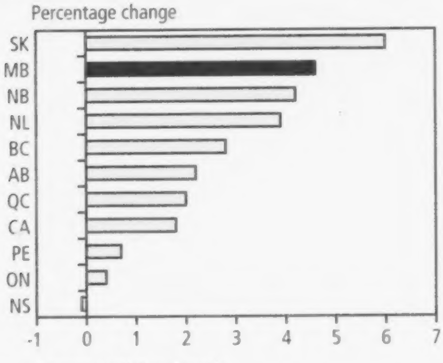
Manitoba Immigration



Source: Statistics Canada

Chart 39

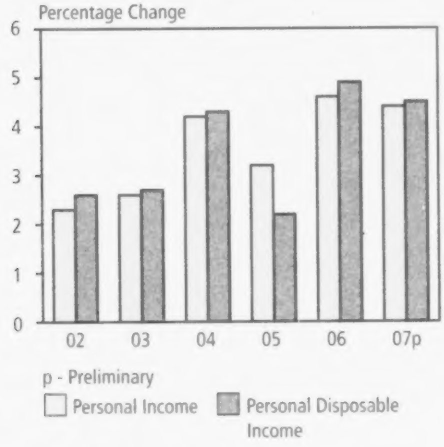
Real Average Weekly Earnings, 2002 to 2007



Source: Statistics Canada

Chart 40

Manitoba's Personal Income Per Capita and Personal Disposable Income Per Capita



Source: Statistics Canada
Manitoba Bureau of Statistics

Manitoba Finance's survey of demographic forecasters shows that Manitoba's annual population growth is projected to increase over the medium term. The average annual growth from 2008 to 2011 is 0.7%, increasing to 0.8% annual growth in 2012.

HIGHER INCOMES

One of the principal benefits of a growing economy is rising incomes. Higher incomes promote savings and investment, along with higher personal consumption and increased living standards.

Manitobans have experienced steadily rising wages over the past several years. In 2007, average earnings grew 4.2% and ranked third highest among provinces. Average weekly earnings have grown 16.0% over the past five years, the third-highest rate among provinces. After adjusting for inflation, 'real' average earnings rose 2.1% in 2007, third among provinces. Real earnings increased 4.6% over the past five years, which ranked second best among provinces with its strong performance (see Chart 39).

Personal income and personal disposable income are two principal measures of overall economic well-being. Personal income includes wages and salaries, investment income and transfers from government (for example, employment insurance benefits and CPP income). Personal disposable income is personal income less personal income taxes and social security program contributions. Broadly, personal disposable income is the income left to individuals after their personal taxes have been paid.

Manitoba personal income growth has been exceptional. In 2007, wages and salaries grew 6.7%, their highest rate in 23 years and the sixth consecutive year above 4.0%. Farm income growth was strong, increasing 27.6%, and personal investment income rose 7.2% last year. The strength in income bolstered per capita personal income growth at 4.4%, its third-strongest level in 17 years, and per capita disposable income gained 4.5% (see Chart 40). Canada's per capita personal disposable income growth in 2007 was 4.5%, equal to Manitoba's increase.

After adjusting for inflation, 'real' income has also increased. On a per capita basis, preliminary 2007 data indicate real personal income increased by 2.3% and real personal disposable income rose by 2.4%. Real per capita disposable income grew at a slightly higher rate in Manitoba than Canada overall.

Real income per capita has increased 8.6% over the past five years. In the past 27 years, real per capita disposable income of Manitobans has never been higher (see Chart 41).

Looking ahead, private economic forecasters project a positive outlook for income growth in 2008 with Manitoba exceeding the national forecast. Per capita disposable income is estimated to rise 3.5%, ahead of Canada's estimated 3.0% growth. This year, real per capita personal disposable income for Manitobans is projected to rise 2.0%, above the forecast for Canada at 1.4%.

MANITOBA OUTLOOK

Manitoba Finance surveys several independent economic forecasting agencies regarding their economic projections for Manitoba and Canada. The survey is used to establish a consensus for the medium-term economic outlook.

In 2007, Manitoba's real GDP growth exceeded expectations set last March. The preliminary estimate by Manitoba Bureau of Statistics shows real GDP growth at 3.0%. This estimate is 0.4% higher compared to the estimate in Budget 2007.

In line with the weaker Canadian and U.S. economies in the latter part of 2007, and considering the risk of an economic slowdown or recession in the U.S., the consensus for Manitoba's real GDP growth has been revised down from last year's budget estimate of 2.9% to 2.7% for 2008. Despite the adjustment, Manitoba's growth is expected to equal the 10-year average and outperform the national average for the fourth consecutive year in 2009 (see Chart 42).

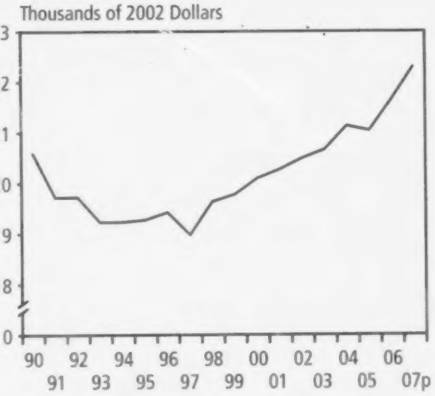
Manitoba's nominal GDP increased 7.1% in 2007 and is forecast to grow by 4.5% in 2008. This compares favourably with national growth of 5.9% in 2007 and 4.2% forecast in 2008. Strong growth in business profits, wages and salaries, and farm income will contribute to nominal GDP growth in both Canada and Manitoba. Manitoba Finance's survey of demographic forecasters shows that the population is expected to increase by 0.7% in 2008, matching the 2007 growth.

Strong growth in housing and non-residential investment projects, robust mining and mineral exploration, higher crop prices, increased electricity sales and modest growth in consumer spending supported by higher personal incomes are all important factors driving the positive outlook in the near term.

Manitoba's labour market is expected to remain healthy albeit tight, as the number of new jobs created approximately equals the growing number of new workers joining the labour market. Employment growth is projected at 1.6% in 2008 and 1.2% in 2009. The unemployment rate is anticipated to decline in 2008 to 4.2% and remain fairly stable in 2009 at 4.3%. The strong

Chart 41

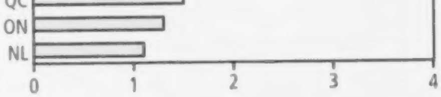
Manitoba Real Personal Disposable Income Per Capita, 1990 to 2007p



p - Preliminary
Sources: Statistics Canada
Manitoba Bureau of Statistics

Chart 42

Real GDP Forecast by Province, 2008



Source: Manitoba Finance, survey of private economic forecasters

Manitoba Outlook at a Glance

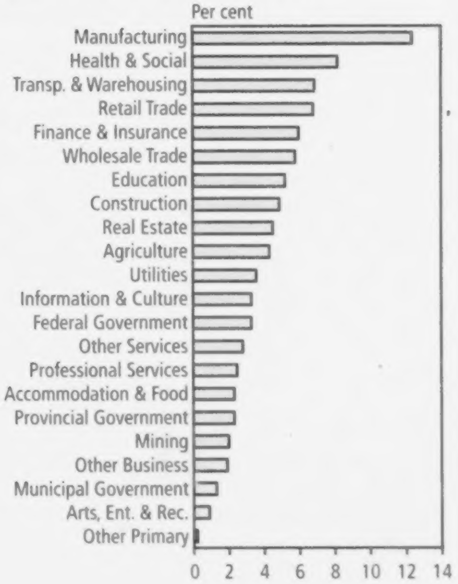
	2007	2008f	2009f
		(% Change)	
Gross Domestic Product			
Real	3.0	2.7	2.7
Nominal	7.1	4.5	3.9
Employment	1.6	1.6	1.2
Unemployment Rate (%)	4.4	4.2	4.3
CPI	2.0	1.7	2.1
Population	0.7	0.7	0.7

f - Forecast

Sources: 2007: Statistics Canada and Manitoba Bureau of Statistics
2008-2009: Manitoba Finance, survey of economic forecasters

Chart 43

Shares of Manitoba Gross Domestic Product, 2007p



p - Preliminary

Source: Manitoba Bureau of Statistics

Canadian dollar and improvements in global productivity will hold consumer price inflation at 1.7% in 2008 after 2.0% growth in 2007.

The instability in international credit markets caused by uncertainty regarding U.S. sub-prime mortgage-backed securities has prompted the International Monetary Fund (IMF) to cut back their 2008 global outlook. Since last July, the IMF has reduced the global GDP growth for 2008 from 5.2% to 4.1%. The 2008 U.S. growth outlook was also lowered to 1.5%. The downward revision for Manitoba was much smaller from 2.9% to 2.7% growth in 2008.

There are several risk factors that could affect the Manitoba outlook for the coming year. Further deterioration of the U.S. housing market and tighter credit conditions add uncertainty to the global outlook. Inflationary pressure from rising food, fuel and shelter costs, lower interest rates, the pace of the Canada-U.S. exchange rate appreciation and a greater than expected slowdown in the Asian economic outlook are other notable risks in the economic outlook.

■ THE MANITOBA ECONOMY: STRENGTH IN DIVERSITY

Economic diversity with a broad industrial base is a key attribute of the Manitoba economy. Many credit rating agencies and leading economic forecasters, including Moody's Investors Services, Standard and Poor's, Dominion Bond Rating Service and Conference Board of Canada have all cited diversity as one of the province's main economic assets.

The large and diverse structural base has provided Manitoba with stability and measured growth over the last decade (see Chart 43). Fluctuations of economic performance have been moderated as weaker performance in some sectors has been offset by stronger developments in other sectors.

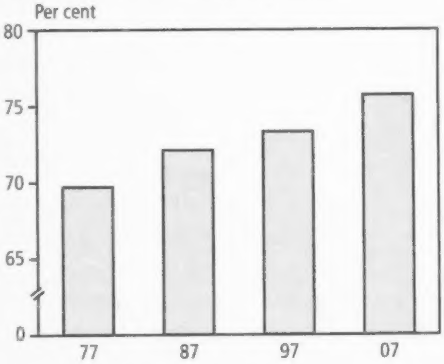
The province's diverse economic structure, encouraged by initiatives and development, has fostered a vibrant yet stable economy. According to Statistics Canada's real GDP data, Manitoba is the most stable economy in Canada as measured by the least amount of variation in growth over a ten-year period. Manitoba is one of only three provinces that have generated 15 consecutive years of positive employment growth. Among these, Manitoba's employment growth has been the most consistent. Manitoba is also unique among provinces with 18 consecutive years of private investment growth.

Manitoba's geographic location has been an important element in developing a diverse economy. Since Manitoba is located at the centre of Canada, it has become a manufacturing and wholesale distribution centre for Ontario, Western provinces and the North. To the south, the mid-continental trade corridor has opened opportunities to promote economic development and trade with the United States and Mexico. To the north, the Port of Churchill has opened up a gateway linking the economy of central North America to key European, Mediterranean and African destinations.

Manitoba's economic stability is also rooted in its relatively large service sector. The service sector tends to be more stable through the business cycle relative to the goods-producing sector. In the last four years, no service industry in Manitoba has posted a real decline. Important service sector industries in Manitoba include wholesale and retail trade, finance, insurance and real estate, transportation and warehousing, health care, and education. These industries have expanded to account for approximately 72.4% of the total economy, higher than the Canadian average of 68.6%. The service sector accounts for three quarters of all jobs in the province (see Chart 44).

Chart 44

Manitoba Service Industries Share of Total Employment



Source: Statistics Canada

Manitoba also has a notable cost advantage over other provinces and U.S. states. Living costs in Manitoba are among the most affordable in Canada, with house prices, auto insurance, electricity, university and college tuition fees all among the lowest in Canada. The cost of starting a manufacturing plant is lower in Manitoba than the average for other jurisdictions, primarily because of the lower cost of land and construction costs.

Workforce development is essential for a growing and vibrant knowledge-based industrial setting. The province has a strong commitment to developing a world-class labour force. The co-operative education tax credit, tuition fee tax rebate, apprentice programs, technical vocational initiatives, industry training partnership, and Manitoba bursary and scholarship programs all support growth in a knowledge-based economy by promoting the development of skills necessary for the growth in new sectors.

Research and innovation continue to play a major role by supporting new industries that further promote the diversification of Manitoba's economy. Significant research and development is taking place in medical and pharmaceutical sectors, business and information technology services, and the agri-food sector.

In a shared alliance between university and industry to broaden the province's research and development capacity and its commercial base, the SMARTpark Development Corporation was created at the University of Manitoba. SMARTpark is involved in diverse research areas including information and communications technology, engineering and advanced materials, health and biotechnology, and agricultural and nutritional sciences. SMARTpark is well suited to forge a bridge between research and development and manufacturing for start-up venture capital. For example, Cangene Corporation provides biopharmaceutical research and development services, bulk product manufacturing and finished product manufacturing. SMARTpark facilitates the transformation from innovation to product manufacturing to sales. Participating companies increase diversification and stability of Manitoba's manufacturing sector.

> **"Manitoba's economy is highly diversified, which adds stability and lessens the volatility associated with economic cycles."**
>
> **Moody's Investors Service**
> **November 2007**

Manitoba has developed a dynamic hub for the manufacture of transportation equipment. The province manufactures both intercity and transit buses, aerospace equipment and parts, farm equipment and rail equipment. With gasoline and diesel prices remaining resiliently high, the demand for New Flyer Industries' energy-efficient hybrid transit buses has sharply risen. Manitoba is also Canada's third-largest centre for the manufacture of aerospace equipment with Boeing Canada, Bristol Aerospace, Standard Aero and Air Canada Technical Services all located in Winnipeg.

The agriculture sector in Manitoba has continued to adapt to changing market conditions and technology. The sector is evenly distributed between crop and livestock production. However, the sector may be poised for a significant change if high crop prices are sustained. High prices will advance research and development in new agricultural technology. Manitoba is well positioned to take advantage of these developments as several agricultural research institutions and organizations are located in the province, including Richardson Centre for Functional Foods and Nutraceuticals, Cereal Research Centre and the Food Development Centre. Manitoba is also home to the Canadian headquarters of Monsanto, an agricultural company that uses the tools of modern biotechnology to make seeds easier to grow.

Finance, insurance and real estate sectors are evenly divided between finance and insurance industries and real estate industries. The finance and insurance sector presence in Manitoba is highlighted by the national head offices of Investors Group, the largest mutual fund distributor in Canada, Great West

Life Assurance Company, the largest insurance provider in Canada, and National Leasing Group Incorporated, the largest independent Canadian leasing company.

The gradual expansion of value-added production in the province can be best illustrated by the change in the shares of exports among major industries. In particular, manufacturing, which accounted for about 57% of Manitoba's foreign merchandise exports in 1996, has now increased to over 70%. New product lines in areas such as furniture, prepared meats, potato products, industrial chemicals (ethanol), plastic products, biopharmaceuticals, printing and publishing goods and energy-efficient transit buses have increased dramatically. This continual broadening and renewal of Manitoba's economic base offers the prospect for continued stability and certainty for Manitobans in the future.

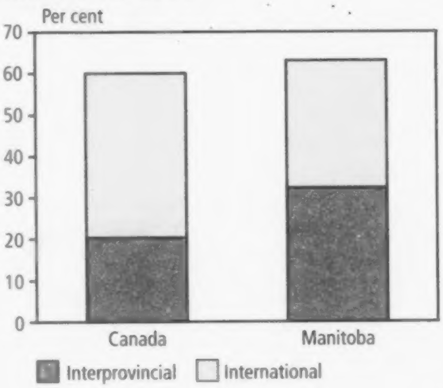
Manitoba's pattern of external trade also lends itself towards economic stability. Manitoba is the most export-oriented province in Canada. As indicated on Chart 45, total exports account for 63% of the Manitoba economy, ahead of the national average of 60%. Moreover, these exports are evenly split between international and interprovincial destinations, roughly a 1:1 ratio. This split is the most balanced among provinces (see Chart 46). In contrast, the average provincial ratio is skewed toward international exports with a 3:2 ratio. Manitoba's balance between interprovincial and international exports provides a measure of stability during international currency and financial market shocks and regional disparities in growth. It reduces Manitoba's exposure to sharp changes to external sales.

Industrial diversity has provided Manitoba with long-term resilience and protection against a downturn in any given industry. Diversity has reduced the vulnerability from economic shocks and the corresponding volatility in the labour market as workers may switch from declining sectors to expanding ones. A stable economic environment minimizes the risk premium businesses incur for long-term planning. Venture capital and research and development opportunities can be planned well in advance. Businesses can confidently recruit from the labour market when production increases.

The merits of a diversified economic structure are clear: it provides a stabilizing mechanism during challenging economic conditions, an opportunity to expand into development of new goods and services, and a chance to explore new domestic and global markets.

Chart 45

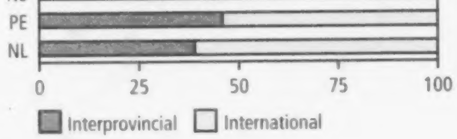
Ratio of Exports to Gross Domestic Product, Canada and Manitoba, 2006



Source: Statistics Canada

Chart 46

Ratio of Interprovincial to International Exports, By Province, 2006



Source: Statistics Canada

MANITOBA ECONOMIC STATISTICS, 2003 TO 2007

	2003	2004	2005	2006	2007
			Millions of Dollars		
SECTORS					
Farm Cash Receipts	3,606	3,876	3,788	3,675	4,338
Crops	1,700	1,805	1,284	1,289	2,205
Livestock	1,598	1,642	1,805	1,760	1,720
Direct Payments	308	430	699	626	413
Manufacturing Shipments	12,696	13,383	13,826	14,972	16,185
Mining	1,050	1,406	1,576	2,619	3,069
Electric Power Sales	1,282	1,435	1,797	1,697	1,667
Export Sales	380	488	818	702	613
Housing Starts (no. of units)	4,206	4,440	4,731	5,028	5,738
Retail Trade	10,953	11,692	12,381	12,938	14,160
FOREIGN EXPORTS					
Total Exports	9,194	9,297	9,213	10,185	11,532
U.S.	6,986	6,859	7,005	7,801	8,273
GROSS DOMESTIC PRODUCT					
Nominal	37,354	39,671	41,372	44,671	47,832
Real	36,804	37,706	38,753	40,019	41,224
BASE RATE WAGE SETTLEMENTS (%)					
Public	3.0	3.2	3.0	2.6	2.9
Private	0.6	1.6	2.5	2.9	4.0
Total	2.7	2.6	2.9	2.6	3.0
INVESTMENT					
Total	6,163	6,699	6,836	7,837	9,152
Private	4,721	5,082	5,091	5,811	6,365
Public	1,442	1,617	1,745	2,027	2,787
Non-residential	4,906	5,181	5,201	6,042	7,157
Housing	1,257	1,518	1,635	1,796	1,996
POPULATION					
July 1 (000's)	1,162	1,171	1,174	1,179	1,187
LABOUR MARKET					
Labour Force (000's)	600.3	608.9	609.4	613.5	623.9
Employment (000's)	570.3	576.6	580.3	587.0	596.5
Participation Rate (%)	68.7	69.1	68.6	68.8	69.4
Unemployment Rate (%)	5.0	5.3	4.8	4.3	4.4
CONSUMER PRICE INDEX					
(Index, 2002 = 100)	101.8	103.8	106.6	108.7	110.9
BANKRUPTCIES					
Business	243	178	149	160	102
Farm	28	27	26	36	28
Personal	2,609	2,339	2,507	2,254	2,040

Sources: Statistics Canada, Industry Canada and Manitoba Bureau of Statistics

2003	2004	2005	2006	2007	
	(Annual Percentage Change)				
					SECTORS
-6.3	7.5	-2.3	-3.0	18.0	Farm Cash Receipts
-11.1	6.1	-28.8	0.3	71.1	Crops
-6.9	2.7	10.0	-2.5	-2.3	Livestock
40.7	39.6	62.4	-10.4	-34.1	Direct Payments
7.4	5.4	3.3	8.3	8.1	Manufacturing Shipments
4.5	34.0	12.1	66.1	17.2	Mining
-5.8	11.9	25.2	-5.5	-1.8	Electric Power Sales
-19.4	28.3	67.5	-14.1	-12.6	Export Sales
16.3	5.6	6.6	6.3	14.1	Housing Starts (no. of units)
3.6	6.7	5.9	4.5	9.4	Retail Trade
					FOREIGN EXPORTS
-2.2	1.1	-0.9	10.6	13.2	Total Exports
-8.1	-1.8	2.1	11.4	6.0	U.S.
					GROSS DOMESTIC PRODUCT
2.3	6.2	4.3	8.0	7.1	Nominal
0.8	2.5	2.8	3.3	3.0	Real
					BASE RATE WAGE SETTLEMENTS (%)
-	-	-	-	-	Public
-	-	-	-	-	Private
-	-	-	-	-	Total
					INVESTMENT
2.5	8.7	2.1	14.6	16.8	Total
1.5	7.7	0.2	14.1	9.5	Private
5.8	12.1	7.9	16.2	37.5	Public
0.7	5.6	0.4	16.2	18.5	Non-residential
10.5	20.8	7.8	9.8	11.2	Housing
					POPULATION
0.5	0.7	0.3	0.4	0.7	July 1 (000's)
					LABOUR MARKET
0.4	1.4	0.1	0.7	1.7	Labour Force (000's)
0.5	1.1	0.6	1.2	1.6	Employment (000's)
-	-	-	-	-	Participation Rate (%)
-	-	-	-	-	Unemployment Rate (%)
					CONSUMER PRICE INDEX
1.8	2.0	2.7	2.0	2.0	(Index, 2002 = 100)
					BANKRUPTCIES
-2.4	-26.7	-16.3	7.4	-36.3	Business
-31.7	-3.6	-3.7	38.5	-22.2	Farm
7.1	-10.3	7.2	-10.1	-9.5	Personal

Budget Paper B

SUPPLEMENTARY FINANCIAL INFORMATION

Manitoba

SUPPLEMENTARY FINANCIAL INFORMATION

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INTRODUCTION

This Budget Paper provides supplementary information on Manitoba's special accounts – the Fiscal Stabilization, Debt Retirement and the Pension Assets funds – and on Capital Investment, Loan Requirements, and Borrowing Requirements.

SPECIAL ACCOUNTS

Fiscal Stabilization

The fund is projected to have a total balance of $683 million as at March 31, 2008, after a draw of $37 million for wait-times reduction and other health-related programming, with no draw required for general requirements. The health programs component balance will be $144 million, while the general programs component will end 2007/08 with a $539 million balance.

The budgeted draw in 2008/09 is $47 million for wait-times reduction and other health-related programming, and $13 million for general requirements related to ecoTrust funds advanced by Canada in 2007/08. The health programs component balance as at March 31, 2009 is projected to be $101 million. The general programs component is projected to end 2008/09 with a $542 million balance.

Fiscal Stabilization
Revenue, Expenditure and Balance

Projection as at March 31, 2009 and March 31, 2008
Millions of Dollars

	2008/09 Budget	2007/08 Forecast
Total Balance, Beginning of Year	683	663
Health Programs		
Balance, Beginning of Year	144	175
Interest Earnings	4	6
Core Government Transfers		
Wait-Times Reduction and Other Health-Related Programming	(47)	(37)
Balance, End of Year	101	144
General Programs		
Balance, Beginning of Year	539	488
Interest Earnings	14	23
Core Government Transfers		
General	2	28
ecoTrust	(13)	0
Balance, End of Year	542	539
Total Balance, End of Year	643	683

Debt Retirement

In 2008/09, a deposit of $110 million will be made for debt retirement.

As required by legislation, the fund was collapsed in 2004/05, leaving a nil balance at the beginning of 2005/06. The Allocation Committee has determined that $85 million of the deposit will be transferred to the Pension Assets Fund, leaving a balance of $78 million at March 31, 2008.

Interest earnings for 2008/09 are expected to be approximately $2 million.

In 2008/09 it is anticipated that the allocation will be $85 million to pension liability.

Debt Retirement

Revenue, Expenditure and Balance

Projection as at March 31, 2009 and March 31, 2008

Millions of Dollars

	2008/09 Budget	2007/08 Forecast
Balance, Beginning of Year	78	51
Revenue		
Core Government Transfer	110	110
Interest	2	2
	112	112
Expenditure		
Transfer to Pension Assets Fund	(85)	(85)
Balance, End of Year	105	78

sion Assets

anticipated that $85 million will be allocated to the Pension Assets Fund for 2008/09. The balance will increase for 8/09 as a result of the Manitoba Government's commitment to set aside $500 million to commence funding of the vince's unfunded liability for the Civil Service Superannuation Fund (CSSF).

fund will have net investment earnings of $26 million in 2007/08. The Budget projects a return of $170 million in 8/09.

fund is expected to have a balance of $2,925 million by the end of the 2008/09 fiscal year.

nsion Assets

ntributions, Transfers and Balance

jection as at March 31, 2009 and March 31, 2008

ions of Dollars

	2008/09 Budget	2007/08 Forecast
ance, Beginning of Year	**2,258**	**699**
ntributions		
New Investment	500	1,502
Debt Retirement Fund	85	85
Net Investment Earnings	170	26
Departments and Crown Corporations	16	13
	771	1,626
nsfers		
TRAF and CSSF payments	(104)	(67)
ance, End of Year	2,925	2,258

SUMMARY OF ACCOUNT ACTIVITY

	2008/09 Budget	2007/08 Forecast	2006/07 Actual	2005/06 Actual	2004/05 Actual	2003/04 Actual	2002/03 Actual
				(Millions of Dollars)			
Fiscal Stabilization							
Transfers to Fund	0	0	110	31	405	13	4
Transfers from Fund	(58)	(9)	0	0	0	(171)	(22)
Redemption of Repap Preferred Shares							
Transfer re: Manitoba Telephone System							
Investment Revenue	18	29	21	15	2	1	7
Balance, End of Year	643	683	663	532	486	79	236
Debt Retirement							
Contribution	110	110	110	110	99	96	96
Interest Earnings	2	2	1	0	2	7	3
Transfers to Pension Assets Fund	(85)	(85)	(85)	(85)	(79)	(75)	(48)
Transfer for General Purpose Debt Reduction					(202)		
Balance, End of Year	105	78	51	25	0	180	152
Pension Assets							
Transfers from Debt Retirement Fund	85	85	85	85	79	75	48
Net Investment Earnings	170	26	67	61	31	38	(6)
Net Current Service Contributions	(88)	(54)	10	8	6	3	2
TRAF/CSSF Funding	500	1,502					
Balance, End of Year	2,925	2,258	699	537	383	267	151

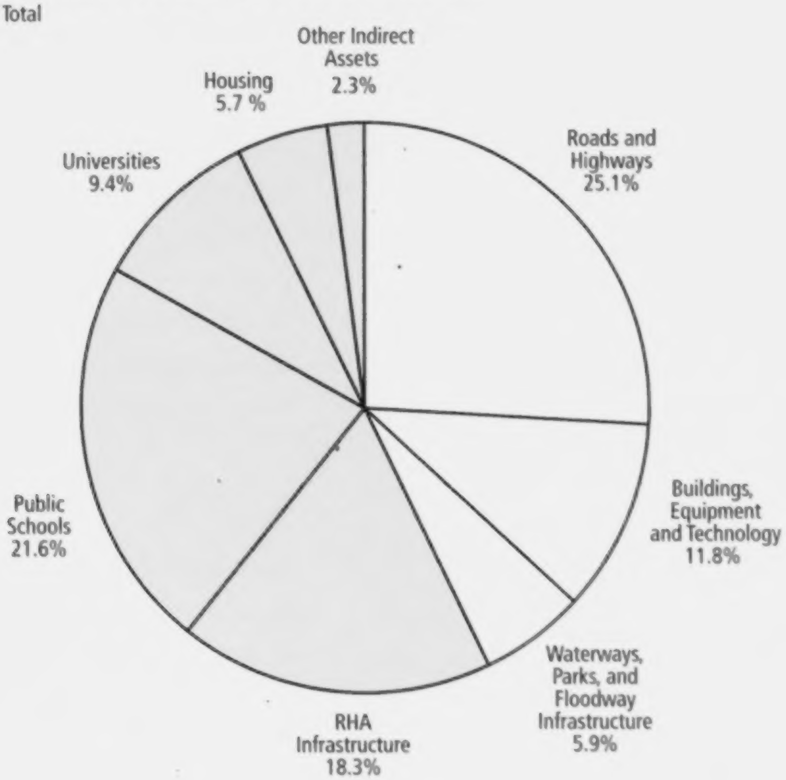
2001/02 Actual	2000/01 Actual	1999/00 Actual	1998/99 Actual	1997/98 Actual	1996/97 Actual	1995/96 Actual	
		(Millions of Dollars)					
							Fiscal Stabilization
63	40	11	31	76	91	157	Transfers to Fund
(150)	0	(185)	(186)	(100)	0	0	Transfers from Fund
						20	Redemption of Repap Preferred Shares
					265		Transfer re: Manitoba Telephone System
14	15	12	17	11	11	3	Investment Revenue
247	320	265	427	565	577	210	Balance, End of Year
							Debt Retirement
96	96	75	150	75	0	0	Contribution
5	0	0	4	1			Interest Earnings
(75)	(21)	0	0	0			Transfers to Pension Assets Fund
		(305)					Transfer for General Purpose Debt Reduction
101	75	0	230	76			Balance, End of Year
							Pension Assets
75	21						Transfers from Debt Retirement Fund
2	0						Net Investment Earnings
9	0						Net Current Service Contributions
							TRAF/CSSF Funding
107	21						Balance, End of Year

CAPITAL INVESTMENT – REPLACEMENT VALUE OF PUBLIC ASSETS

Over the years, Manitoba's communities and the economy have benefited from many investments in general assets such as schools, health facilities and public service buildings as well as infrastructure assets such as roads, water control structures and parks. To meet the needs of today's and future generations it is necessary to invest in renewal of the current assets. These assets have contributed to vital public services, including learning, health, physical access and electronic access to other government programs, as well as providing the infrastructure for economic and community development. The public good provided by these investments is immeasurable; however, it is estimated that the insured or replacement value of these investments exceeds $31 billion.

Replacement Value of Public Assets[1]

Per cent of Total



Total Value: $31.5 billion

Note 1: Excludes municipal assets and assets of government business enterprises such as Manitoba Hydro.

▨ Indirect Assets: 57.3%

☐ Direct Assets: 42.7%

Totals may not add due to rounding.

■ CAPITAL INVESTMENT – CORE GOVERNMENT

Provincially owned capital assets such as highways, waterways, buildings, machinery and computer systems are amortized over their useful life based on established guidelines for amortization (see Appendix B of the 2008/09 Estimates of Expenditure). The amortization and interest costs are borne by departments that are responsible for each asset and are reflected as annual costs related to capital assets. Capital grants are also provided to third parties such as municipalities, schools and universities as contributions toward capital projects. In total, costs related to capital assets are estimated at $524 million in 2008/09, an increase of $37 million from 2007/08.

Capital Grants and Costs Related to Capital Assets, Core Government 2008/09

(Thousands of Dollars)

	2008/09 Budget	2007/08 Budget
Capital Grants	282,304	262,331
Infrastructure Assets	170,747	156,096
General Assets	71,308	69,316
	524,359	487,742

Authority for the annual cost to acquire provincially-owned assets is reflected as Part B – Capital Investment which totals $579 million in 2008/09, a decrease of $16 million from 2007/08, largely due to reduced activity related to the Manitoba Floodway Expansion; offset by $15 million for increased investment in provincially-owned buildings and more than $10 million for increased investment in provincial roads and highways.

Capital Investment, Core Government 2008/09

(Thousands of Dollars)

	2008/09 Budget	2007/08 Budget
General Assets		
Government Services Capital Projects	88,000	73,098
Transportation Equipment and Other Capital	23,719	14,463
Information Technology Projects	23,719	14,463
Corporate Information Technology Projects	13,969	12,676
Competitiveness, Training and Trade	1,030	2,421
Family Services and Housing	900	2,708
Health and Healthy Living	1,500	100
Infrastructure and Transportation	392	905
Justice	1,364	3,608
Other Projects	650	1,258
Other Equipment and Buildings	4,553	10,733
	136,077	121,969
Infrastructure Assets		
Provincial Roads, Highways and Airport Infrastructure	249,883	239,655
Manitoba Floodway Expansion	172,009	213,792
Water Control Infrastructure	11,400	10,183
Parks, Cottage and Camping Projects	9,711	9,711
	443,003	473,340
Total Capital Investment	579,080	595,309

LOAN REQUIREMENTS

Incremental Capital Authority Requirements for Non-Budgetary Programs, 2008/09

(Thousands of Dollars)

The Loan Act, 2008

The Manitoba Hydro-Electric Board	786,000
Manitoba Agricultural Services Corporation	132,949
Health Capital Program	118,109
Manitoba Opportunities Fund	104,719
Manitoba Housing and Renewal Corporation	62,647
Post-Secondary Institutions	53,200
The Manitoba Lotteries Corporation	46,750
Special Operating Agencies Financing Authority – Fleet Vehicles Agency	18,900
The Manitoba Water Services Board	13,048
Manitoba Student Aid Program	10,110
Rural Economic Development Initiatives	5,844
Communities Economic Development Fund	5,150
Special Operating Agencies Financing Authority – The Property Registry	4,000
Travel Manitoba	1,500
Diagnostic Services Manitoba	1,189
Special Operating Agencies Financing Authority – Pineland Nursery	1,137
Leaf Rapids Town Properties Inc.	1,000
Special Operating Agencies Financing Authority – Companies Office	450
Manitoba Film Guarantee Program	197
	1,366,899

Non-Budgetary Capital Programs 2008/09

(Thousands of Dollars)

The Manitoba Hydro-Electric Board	1,056,000
Health Capital Program	249,181
Manitoba Agricultural Services Corporation	138,400
Manitoba Housing and Renewal Corporation	98,628
The Manitoba Lotteries Corporation	96,400
Manitoba Opportunities Fund	75,000
Post-Secondary Institutions	70,289
Business Support	34,320
Manitoba Student Aid Program	31,828
The Manitoba Water Services Board	31,416
Special Operating Agencies Financing Authority – Fleet Vehicles Agency	25,737
Diagnostic Services Manitoba	18,367
Communities Economic Development Fund	8,500
Rural Economic Development Initiatives	4,200
Miscellaneous Corporations, Agencies and Other Programs	13,666
	1,951,932

PROVINCIAL BORROWINGS, GUARANTEES AND OBLIGATIONS

Borrowing Requirements

Manitoba's long term borrowing requirements with respect to both general and self-sustaining borrowings is estimated to total $2.8 billion in 2008/09, of which $1.5 billion is required for refinancing purposes. New cash requirements of $1.4 billion are required for capital investments including the Manitoba Floodway Expansion, Manitoba Hydro and for the initial funding of the unfunded pension liability for the Civil Service Superannuation Plan. *The Loan Act, 2008* provides incremental capital authority of $1.4 billion.

Borrowing Requirements, 2008/09

(Thousands of Dollars)

	Refinancing	New Cash Requirements	Estimated Repayments	Borrowing Requirements
Government Business Enterprises				
Manitoba Hydro	606,746	600,000	-	1,206,746
Manitoba Lotteries	-	27,000	-	27,000
Subtotal	606,746	627,000	-	1,233,746
Other Borrowings				
General Purpose Borrowings	785,586	-	-	785,586
Capital Investments General Assets	96,580	-	-	96,580
Capital Investments Infrastructure Assets	-	334,600	-	334,600
Civil Service Superannuation Plan	-	250,000	-	250,000
Health Facilities	2,000	97,000	61,500	37,500
Business Start Programs	-	30,000	-	30,000
Other Crowns and Organizations	-	15,000	-	15,000
Subtotal	884,166	726,600	61,500	1,549,266
Total Borrowing Requirements	1,490,912	1,353,600	61,500	2,783,012

PROVINCIAL BORROWINGS, GUARANTEES AND OBLIGATIONS

The table below provides information on total provincial borrowings, guarantees and obligations that are forecast to be outstanding at the end of the 2007/08 fiscal year compared to the 2006/07 fiscal year.

The total of outstanding borrowings, guarantees and obligations reflects the Province's gross borrowing obligations, but as it does not take into consideration financial assets available to pay down those obligations, it does not represent net debt. According to the Canadian Institute of Chartered Accountants and their public sector arm, the Public Sector Accounting Standards Board, net debt is promoted as the national standard of a government's financial position. Net debt represents the difference between total liabilities and financial assets. Summary Net Debt to GDP continues to decline. It should also be noted that the total of outstanding provincial borrowings fluctuates during the fiscal year as a result of the timing of borrowing activities of the Province.

Provincial Borrowings, Guarantees and Obligations

	Forecast 2007/08		Actual 2006/07	
	$ millions	$ Per Capita[1]	$ millions	$ Per Capita[1]
Gross Borrowings	21,507	18,019	19,548	16,587
Guarantees and Obligations	680	570	1,407	1,194
Less: Sinking Fund and Debt Retirement Fund Investments	(4,203)	(3,521)	(4,787)	(4,062)
Total Outstanding Provincial Borrowings, Guarantees and Obligations	17,984	15,067	16,168	13,719

Outstanding borrowings, guarantees and obligations are for the following purposes:

	$ millions	$ Per Capita[1]	$ millions	$ Per Capita[1]
General Government Programs	6,376	5,342	6,564	5,570
Manitoba Hydro	6,810	5,705	6,636	5,631
Other Crown Organizations	1,261	1,056	1,279	1,085
Health Facilities	866	726	790	670
Government Enterprises and Other[2]	91	76	150	127
Capital Investments	1,080	905	749	636
Subtotal	16,484	13,810	16,168	13,719
General Government Programs – Pensions[3]	1,500	1,257	-	-
Total Outstanding Provincial Borrowings, Guarantees and Obligations [4]	17,984	15,067	16,168	13,719

[1] Per Capita data is based upon population figures at January 1, 2008 for 2007/08, and at July 1, 2006 for 2006/07 as reported by Statistics Canada.

[2] Includes amounts owed to the federal government and long term loans payable to government enterprises.

[3] In 2007/08, the Government made a contribution of $1.5 billion to the Teachers' Retirement Allowances Fund (TRAF). This contribution reduced the Government's net pension liability for TRAF from $2,164 million to $651 million.

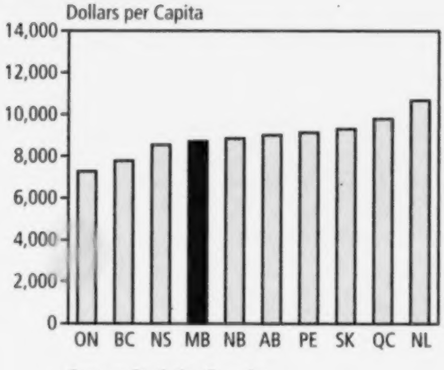
[4] The increase is primarily due to the funding of the Province's contribution to its liability for TRAF, capital investments and health facilities borrowings. Manitoba Hydro's capital program borrowings were partially offset by the impact of a stronger Canadian dollar and its sinking fund contribution.

■ INTERPROVINCIAL COMPARISONS

FMS Total Expenditure

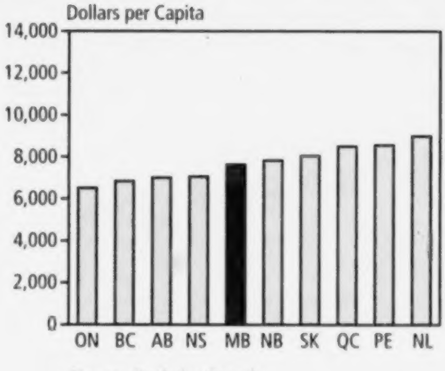
Statistics Canada prepares reports of government financial data using a standardized definition of government designed to facilitate comparability between jurisdictions, known as Financial Management Statistics (FMS). The FMS estimates of total expenditure are shown below.

2006/07



Source: Statistics Canada

2003/04

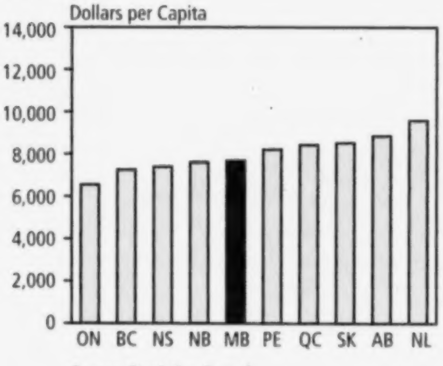


Source: Statistics Canada

FMS Program Expenditure

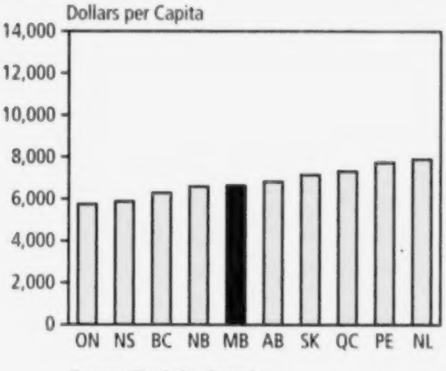
Statistics Canada's FMS data on program expenditure is defined as government spending excluding debt costs, primarily interest on the public debt. (Total expenditure minus debt costs equals program expenditure).

2006/07



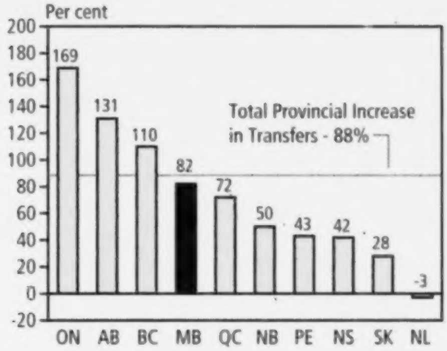
Source: Statistics Canada

2003/04



Source: Statistics Canada

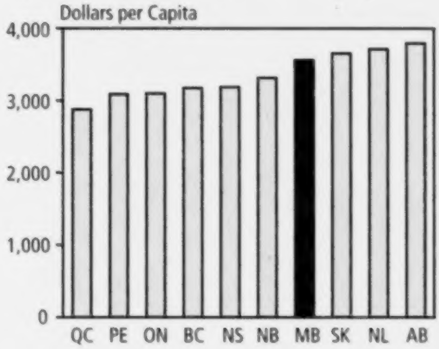
Major Federal Cash Transfers Change from 1999/2000 to 2008/09



Note: This presentation includes Offshore Accord payments to NL and NS

Source: Finance Canada

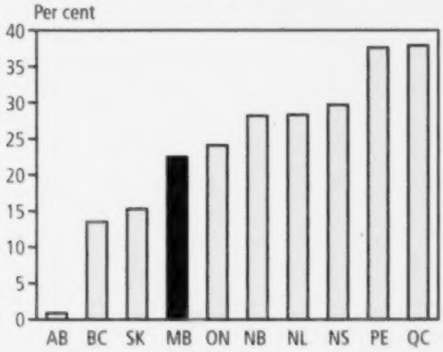
Provincial Health Expenditure by Province, 2007/08f



f - Forecast

Source: Canadian Institute for Health Information

Net Tax Supported Debt to GDP Ratio by Province, 2007



Source: Standard and Poor's

Budget Paper C

TAXATION ADJUSTMENTS

Manitoba

TAXATION ADJUSTMENTS

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SUMMARY OF 2008 TAX MEASURES

All amounts are revenue reductions or expenditure increases

	2008/09	Full Year
	(Millions of Dollars)	
Ongoing Tax Reductions[1]		
Personal Tax Reductions	39.6	39.6
Business Tax Reductions	61.2	68.0
Farmland School Tax Rebate[2]	2.2	2.2
	103.0	**109.8**
Personal Tax Measures		
Education Property Tax Credit Basic Amount increased[2]	24.5	24.5
Personal Income Tax Rate and Bracket changes	3.7	14.8
Basic Personal and Spousal Amounts increased	1.8	7.0
Tax-Free Savings Accounts introduced[3,4]	0.2	5.7
Primary Caregiver Tax Credit introduced	1.0	5.4
Personal Tax Credit increased[2]	0.6	2.3
Community Enterprise Development Tax Credit extended[2]	0.2	0.6
Northern Residents Deduction increased[4]	0.4	0.4
Retail Sales Tax eliminated on smoking cessation products	0.4	0.4
Manitoba Mineral Exploration Tax Credit extended	0.1	0.4
	32.9	**61.5**
Business Tax Measures		
Corporation Capital Tax phased out	14.4	59.2
Corporation Income Tax General Rate reduced	3.5	28.4
Small Business Rate reduced	2.8	9.7
Capital Cost Allowance Rates for Manufacturers[4]	0.7	8.7
Journeypersons Hiring Incentive introduced	0.0	4.8
Film and Video Production Tax Credit enhanced	4.5	3.6
Manufacturing Investment Tax Credit enhanced and extended	2.8	2.8
Interactive Digital Media Tax Credit introduced	1.3	2.0
Book Publishing Tax Credit introduced	0.4	0.5
Retail Sales Tax eliminated on selected items	0.5	0.5
	30.9	**120.2**
Total Changes, 2008 Budget	**63.8**	**181.7**
Total Changes Including Ongoing Tax Reductions	**166.8**	**291.5**

[1] Ongoing tax reductions are those that were announced in previous budgets to take effect in 2008. These are: (a) the increase in the Basic Personal, Spousal and Eligible Dependent Amounts; (b) the reduction in the middle bracket rate and the increase in the top bracket threshold; (c) the introduction of the Family Tax Benefit; (d) the decrease in both corporation income tax rates; (e) the increase in the refundable portion of the Manufacturing Investment Tax Credit; (f) the reduction in the Corporation Capital Tax rates; (g) the increase in the threshold for the Health and Post-Secondary Education Tax Levy; (h) the introduction of the Community Enterprise Investment Tax Credit; and (i) the increase in the Farmland School Tax Rebate.

[2] Expenditure increase

[3] The value of the tax savings to Manitobans due to Tax-Free Savings Accounts is likely to rise steadily over time. The full-year value shown is an estimate for 2010/11.

[4] Parallels 2008 federal budget change, pursuant to the Tax Collection Agreement.

PERSONAL TAX MEASURES

EDUCATION PROPERTY TAX CREDIT BASIC AMOUNT

(2008/09 expenditure impact: $24.5 million)

The basic amount of this credit is increased from $525 to $600. Homeowners will have this amount subtracted from their 2008 property tax bills, with the Province reimbursing school divisions and municipal governments accordingly. Renters will receive the increased amount when they file their 2008 income tax return. The basic Education Property Tax Credit is not income tested and is especially beneficial to low-income households who do not pay income tax.

This measure saves homeowners and renters $24.5 million on a full-year basis.

For more information, contact Location B, page C12.

PERSONAL INCOME TAX

Rate and Bracket Changes

(2008/09 revenue impact: $-3.7 million)

Budget 2007 set out a five-year plan of personal income tax bracket and rate changes. The changes for 2009 are now confirmed. Starting January 1, 2009, the first bracket rate is reduced from 10.9% to 10.8%; the middle bracket threshold is raised from $30,544 to $31,000; and the top bracket threshold is raised from $66,000 to $67,000. These measures save Manitoba taxpayers $14.8 million on a full-year basis.

The five-year plan, when complete, is projected to save Manitoba income tax payers $77 million annually; all taxpayers will benefit. As budgetary circumstances permit, additional rate and threshold changes will be introduced to give middle-income earners an overall saving of 10% compared to 2007.

Tax Year	2007	2008	**2009**	2010	2011
First Bracket Rate	10.90%	10.90%	**10.80%**	10.70%	10.50%
Middle Bracket Threshold	$30,544	$30,544	**$31,000**	$32,000	$35,000
Middle Bracket Rate	13.00%	12.75%	**12.75%**	12.75%	12.75%
Top Bracket Threshold	$65,000	$66,000	**$67,000**	$68,000	$70,000

Note: all changes planned after 2009 are subject to budget balancing requirements.

For more information, contact Location B, page C12.

Basic Personal, Spousal, and Eligible Dependent Amounts

(2008/09 revenue impact: $-1.8 million)

The Basic Personal Amount (BPA), the Spousal Amount, and the Eligible Dependent Amount are each increased by $100 to $8,134, effective January 1, 2009. This is the seventh increase in the BPA since 1999.

A taxpayer can claim a non-refundable tax credit for a dependent spouse, or if the taxpayer is a single parent, for one dependent child under 18. The maximum Spousal Amount and Eligible Dependent Amount are reduced by any income earned by the dependent. Budget 2007 raised the maximum Spousal and Eligible Dependent Amount by 24% from $6,482 to $8,034, reaching the same level as the BPA for the first time.

	1999	2009	Increase	%
Basic Personal Tax Credit	$560.51	**$878.47**	$317.97	57%
Spousal Tax Credit	$471.74	**$878.47**	$406.74	86%
Eligible Dependent Tax Credit	$471.74	**$878.47**	$406.74	86%

This table shows that these three credits have increased well in excess of the 23% Consumer Price Index inflation rate over the period since 1999.

Approximately 2,100 low-income Manitobans are removed from the tax rolls due to the increases in Basic Personal, Spousal, and Eligible Dependent Amounts. Over all, Manitobans save $7.0 million due to this measure on a full-year basis.

For more information, contact Location B, page C12.

Tax-Free Savings Accounts

(2008/09 revenue impact: $-0.2 million)

Provincial tax will not be applied to accumulations and withdrawals from the new Tax-Free Savings Account plans.

The tax-free savings plan allows taxpayers 18 years of age or older to deposit up to $5,000 annually into a special account, commencing in 2009.There is no tax deduction for these contributions, but accumulations and withdrawals from the account will be free of both federal and provincial tax.

Withdrawals from a Tax-Free Savings Account will not be counted as income to reduce other income-tested provincial benefits, including the Personal Tax Credit, the Education Property Tax Credit, the School Tax Credits for Homeowners and Tenants, the Manitoba Shelter Benefit, Pharmacare, child-care subsidies, and others. This latter feature is intended to assist lower-income Manitobans, in particular, to save.

The value of the tax savings due to Tax-Free Savings Accounts is likely to rise steadily over time. The benefit to Manitobans for 2010/11 is estimated at $5.7 million.

For more information, contact Location B, page C12.

Primary Caregiver Tax Credit

(2008/09 revenue impact: $-1.0 million)

The Primary Caregiver Tax Credit is introduced, commencing in the 2009 tax year, to provide recognition and financial support to individuals who serve as volunteer primary caregivers for more than three continuous months. This program builds upon the Manitoba Home Care Program, and is intended to help care recipients remain independent as long as possible.

The primary caregiver may be a spouse, other relative, neighbour or friend who provides care without remuneration to a Manitoba Home Care client.

The client must be assessed as requiring Care Level 2, 3, or 4 while living at home. Examples include those with a disability (young or old), those receiving palliative care, and others needing care or supervision for periods of more than three months.

After a three-month qualifying period, the refundable credit is $85 per month to a maximum of $1,020 per year to the primary caregiver for each client, claimable when the caregiver files her/his personal income tax return for the year in which the credit is earned.

Only one person may be designated as the client's primary caregiver at any one time. A caregiver may not earn the credit for more than three clients within a given month.

The benefit to eligible primary caregivers is projected to be $5.4 million on a full-year basis.

For more information, contact Location I, page C12.

Personal Tax Credit

(2008/09 expenditure impact: $0.6 million)

Commencing with the 2009 taxation year, the Personal Tax Credit is increased as illustrated in the following table.

	2008	2009	Percent Increase
Basic Credit	$190	$195	2.6%
Age Credit for Self	$110	$113	2.7%
Basic Credit for Spouse	$190	$195	2.6%
Age Credit for Spouse	$110	$113	2.7%
Disability Credit for Spouse	$110	$113	2.7%
Credit for Eligible Dependent	$190	$195	2.6%
Disability Credit for Self or Dependent	$110	$113	2.7%
Disability Credit for Dependents	$60	$62	3.3%
Credit for Dependent Children	$25	$26	4.0%

To ensure this credit targets those most in need, it is reduced by 1% of household income. Over 65% of the households that benefit from the Personal Tax Credit have incomes under $20,000. The average net credit per household is over $150. Manitobans claim the Personal Tax Credit upon filing their annual income tax return.

This change benefits over 281,000 lower-income households, and Manitobans will save $2.3 million on a full-year basis.

For more information, contact Location B, page C12.

Community Enterprise Development Tax Credit

(2008/09 revenue impact: $-0.2 million)

The Community Enterprise Development Tax Credit was introduced in Budget 2003, and extended in Budget 2005. This Budget extends the credit for another three years, to the end of 2011.

This tax credit encourages Manitobans to invest in community-based enterprise development projects. It is a non-refundable personal income tax credit equal to 30% on a maximum $30,000 investment in equity capital.

As a result of this measure, Manitobans save $0.6 million on a full-year basis.

For more information, contact Location G, page C12.

Northern Residents Deduction

(2008/09 revenue impact: $-0.4 million)

Individuals who live in prescribed areas of northern Canada for at least six consecutive months may claim the Northern Residents Deduction in computing their taxable income. Effective January 1, 2008, the residency deduction is increased from $7.50 to $8.25 per person per day, and from $15 to $16.50 per day for a sole claimant in a household, as announced in the 2008 federal budget. Residents of the more isolated Northern Zone are eligible for the full deduction, while residents of the Intermediate Zone are eligible for a half deduction.

This measure reduces Manitoba revenue and provides northern residents with tax savings of $0.4 million on a full-year basis.

For more information, contact Location B, page C12.

Manitoba Mineral Exploration Tax Credit

(2008/09 revenue impact: $-0.1 million)

Originally introduced in Budget 2002, the Mineral Exploration Tax Credit is a 10% non-refundable personal income tax credit that reduces Manitoba income tax otherwise payable. The credit is earned when a Manitoba taxpayer purchases flow-through shares in a qualifying exploration company to finance Manitoba mineral exploration projects. Combined with the renewed 15% federal exploration tax credit announced recently, this gives an additional incentive to invest in exploring for minerals in Manitoba. In parallel with the extension announced in the 2008 federal budget, the Manitoba credit is extended for one year, to flow-through share agreements entered into before April 1, 2009. Under the look-back rule, exploration expenditures renounced on funds raised on the issuance of flow-through shares in one year can be spent on eligible expenditures until the end of the subsequent year.

The one-year extension of this credit saves Manitobans about $0.4 million on a full-year basis.

For more information, contact Location D, page C12.

RETAIL SALES TAX

Smoking Cessation Products

(2008/09 revenue impact: $-0.4 million)

The Retail Sales Tax exemption for prescription smoking cessation products is broadened to include non-prescription products, effective May 1, 2008.

Manitobans save $0.4 million on a full-year basis due to this measure.

For more information, contact Location C, page C12.

BUSINESS TAX MEASURES

CORPORATION INCOME TAX

General Rate

(2008/09 revenue impact: $-3.5 million)

The general rate falls from 14% to 13%, effective July 1, 2008. Budget 2007 announced a general rate reduction to 12%, effective July 1, 2009. This reduction is now confirmed. Manitoba businesses save $28.4 million on a full-year basis due to this measure.

The Province intends to reduce the rate further to 11% at a date to be determined, subject to budget balancing requirements.

For more information, contact Location A, page C12.

Small Business Rate

(2008/09 revenue impact: $-2.8 million)

Budget 2007 announced a Small Business Rate reduction from 2%, already the lowest rate in Canada, to 1% effective January 1, 2009. This reduction is now confirmed. The rate was reduced from 3.0% to 2.0% for 2008. To maintain integration of personal and business taxation for small business owners, the small business dividend tax credit rate (i.e., the rate on other-than-eligible dividends) is correspondingly reduced from 3.15% to 2.5%.

Manitoba small businesses save $9.7 million on a full-year basis as a result of these measures.

For more information, contact Location A, page C12.

Reduction of Corporation Income Tax Rates since 1999

Taxable Income	1999	2008	2009
Up to $200,000	8.0%[1]	2.0%	1.0%
$200,000 to $400,000	17.0%	2.0%	1.0%
Over $400,000	17.0%	13.0%[2]	12.0%[2]

[1] Rate reduced from 9.0% July 1, 1999

[2] Effective July 1

Capital Cost Allowance Rates for Manufacturers

(2008/09 revenue impact: $-0.7 million)

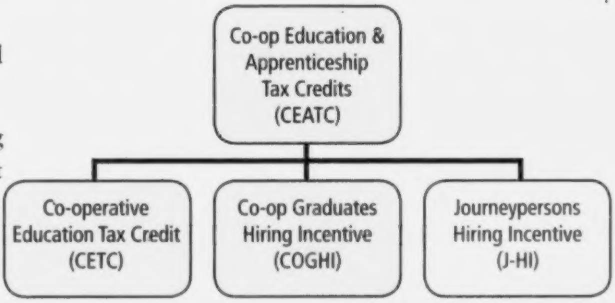
In 2007, the tax depreciation for manufacturing and processing machinery and equipment was converted from a 30% declining balance capital cost allowance to a 50% straight line capital cost allowance on eligible property acquired after March 18, 2007 and before 2009. Pursuant to changes announced in the federal 2008 budget, the 50% straight line accelerated capital cost allowance is extended by one year. Furthermore, eligible property acquired by a manufacturer in 2010 will be eligible for a 50% declining balance capital cost allowance rate in the first year the property is acquired, a 40% declining balance rate in the next year and the regular 30% declining balance rate in subsequent years. Eligible property acquired by a manufacturer in 2011 will be eligible for a 40% declining balance capital cost allowance rate in the first year the property was acquired and the regular 30% declining balance rate in subsequent years. The 30% declining balance capital cost allowance rate will be restored to eligible property acquired after 2011.

Manufacturers in Manitoba save $8.7 million on a full-year basis due to this measure.

For more information, contact Location A, page C12.

Co-op Education and Apprenticeship Tax Credits

(No revenue impact in 2008/09)


Co-op Education & Apprenticeship Tax Credits (CEATC)
Co-operative Education Tax Credit (CETC)
Co-op Graduates Hiring Incentive (COGHI)
Journeypersons Hiring Incentive (J-HI)

The Co-operative Education Tax Credit is expanded and renamed the Co-op Education and Apprenticeship Tax Credits.

A new component is added, called the Journeypersons Hiring Incentive (J-HI) that provides a tax credit to employers of recent graduates of apprenticeship programs.

The terms of J-HI are similar to those of the Co-op Graduates Hiring Incentive (COGHI). An eligible employer may earn a refundable tax credit for each of the first two twelve-month periods of permanent, full-time employment of a journeyperson for work performed in their certified trade primarily in Manitoba.

The credit equals 5% of wages and salaries paid to the journeyperson (net of other government assistance) up to $2,500 per twelve months of employment for each journeyperson. Employment periods must be continuous and consecutive, but each twelve-month period may be interrupted by a seasonal layoff of not more than three months. There is no limit on the number of journeypersons an employer may hire to earn the credit.

Eligible employers may be taxable corporations, not-for-profit agencies, Crown corporations, municipalities, universities, schools, hospitals, or unincorporated entities. In a year in which the tax credit is earned, the employer must be a participant in an apprenticeship program in Manitoba by a) having at least one apprentice registered to the employer who has completed the first year of apprenticeship with the employer, or b) having had an apprentice who completed at least two full years of apprenticeship within the previous five years.

The journeyperson must have received his or her Certificate of Qualification in Manitoba or elsewhere in Canada after April 9, 2008, and must be hired by the employer within 18 months of certification.

The projected full-year benefit to eligible employers is $4.8 million.

For more information, contact Location B, page C12.

Film and Video Production Tax Credit

(2008/09 revenue impact: $-4.5 million)

Building upon enhancements made to the Manitoba Film and Video Production Tax Credit in previous budgets, the following measures are introduced effective for productions commencing principal photography after 2007:

1. a new 5% Manitoba Producer bonus is introduced based on eligible salaries where a Manitoba resident receives credit as a Producer on an eligible film;
2. the Frequent Filming bonus for returning producers, introduced in Budget 2004, is increased from 5% to 10%;
3. the percentage of eligible salaries paid to non-residents for work performed in Manitoba that is eligible for the film tax credit is increased from 20% to 30% of eligible salaries paid to Manitobans;
4. the current requirement that non-residents train Manitobans working on an eligible film will be redesigned to emphasize the transfer of skills to Manitoba technical crew members, regardless of the residency of the person who provides the training.

The estimated full-year revenue impact of these measures is $3.6 million.

Since 2000, Manitoba has introduced a 5% Rural and Northern Manitoba incentive, a 5% Frequent Filming Bonus (now increased to 10%), a 5% Manitoba Producer bonus, and has increased the basic film tax credit from 35% to 45%. A film producer can now qualify for a maximum 65% Manitoba film tax credit rate, the highest in Canada.

The Government intends to examine the film tax credit with a view to changes that would better serve the needs of local producers in Manitoba. The review will be undertaken in consultation with representatives from the Manitoba film industry.

For more information, contact Location E, page C12.

Manufacturing Investment Tax Credit

(2008/09 revenue impact: $-2.8 million)

As previously announced, the refundable portion of this credit is increased from 35% to 70%, effective January 1, 2008, superseding the Budget 2007 announcement of a 50% rate for 2008. This credit was made refundable at the 20% level by the 2005 Budget, and at the 35% level by the 2006 Budget.

This credit, scheduled to expire on June 30, 2009, is extended to December 31, 2011.

These measures save manufacturers in Manitoba $2.8 million on a full-year basis.

For more information, contact Location A, page C12.

Interactive Digital Media Tax Credit

(2008/09 revenue impact: $-1.3 million)

A new refundable corporation income tax credit is introduced for companies that develop and produce interactive digital media projects in Manitoba. The tax credit will be equal to 40% of the remuneration paid to Manitobans on eligible projects approved by Manitoba Science, Technology, Energy and Mines. The maximum tax credit on an eligible project is $500,000. Projects that begin prototyping and product development after April 9, 2008 and before 2011 will qualify for the credit.

A qualifying company must be a taxable Canadian corporation with a permanent establishment in Manitoba. The tax credit will be processed as part of a qualifying company's annual income tax return and administered by the Canada Revenue Agency.

This tax credit replaces the Manitoba New Media Production Grant, which is available for projects developed and produced prior to April 10, 2008. Project eligibility under the tax credit builds upon the criteria under the Grant.

The estimated full-year tax saving to Manitoba companies is $2.0 million.

For more information, contact Location F, page C12.

Book Publishing Tax Credit

(2008/09 revenue impact: $-0.4 million)

To assist the development of the book publishing industry in Manitoba, the Book Publishing Tax Credit is introduced, equal to 40% of eligible Manitoba labour costs. Eligible labour costs include non-refundable author advances; and remuneration for activities carried out in Manitoba, including: salaries for editing, design and project management; fees to freelancers for editing, design, and research; artwork; and development of prototypes. This tax credit is refundable; the maximum credit claimable by a publisher is $100,000 per year.

An eligible publisher must be engaged primarily in the business of publishing books, must have a permanent establishment or be resident in Manitoba, must pay at least 25% of its wages and salaries to employees who are Manitoba residents, and must have recently published at least two qualifying books.

A qualifying book is a new, non-periodical publication that is Canadian-authored and is categorized as fiction, non-fiction, poetry, drama, biography or children's. A book eligible for a Book Publishing Tax Credit is a qualifying book for which contracts were entered into after April 9, 2008, and which is published before 2012.

Eligible labour costs must be incurred and paid in Manitoba by the publisher after April 9, 2008 and before 2012.

To promote environmental sustainability in this industry, an additional bonus equal to 10% of the Manitoba printing costs can be earned by the publisher if an eligible book is printed on paper with a minimum of 30% recycled content. Eligible printing costs must be incurred and paid within one year of publication of the eligible book.

The full-year benefit of this measure to book publishers is estimated at $0.5 million.

For more information, contact Location J, page C12.

Community Enterprise Investment Tax Credit

(2008/09 revenue impact: not applicable)

Budget 2007 introduced the Community Enterprise Investment Tax Credit as a complement to the Community Enterprise Development Tax Credit. This non-refundable income tax credit is available to both individual and corporate investors who acquire equity capital in emerging enterprises that require larger amounts of capital than community ownership can provide.

The credit is available on eligible securities acquired after 2007 and before 2011. The minimum investment required by an investor is $20,000 and the maximum annual tax credit that may be claimed by an investor is $45,000. Currently, the maximum annual investment by an investor that qualifies for a tax credit is $150,000. This Budget increases the maximum annual investment limit by an investor to $450,000, retroactive to the commencement of the program, January 1, 2008.

This change increases the maximum amount of the tax credit earned by an investor in a given year ($135,000) but does not affect the maximum amount of the tax credit deductible against Manitoba income tax otherwise payable in a given year ($45,000).

For more information, contact Location H, page C12.

CORPORATION CAPITAL TAX

(2008/09 revenue impact: $-14.4 million)

Budget 2007 committed Manitoba to eliminate the general Corporation Capital Tax (CCT), except for Crown corporations, as of December 31, 2010, subject to budget balancing requirements.

For manufacturing and processing corporations, CCT is now eliminated effective July 1, 2008, saving these companies about $25 million a year compared to 2007. Moving up the elimination of CCT for manufacturers will help this sector adjust to the challenges posed by the strong Canadian dollar and overseas competition.

For other corporations subject to the general CCT, elimination as of December 31, 2010 is now confirmed. Rates will be reduced as follows:

- for corporations with total paid-up capital over $21 million, the rate will be reduced from 0.4% to 0.3% for fiscal years commencing after January 1, 2009, and to 0.2% for fiscal years commencing after January 1, 2010. The tax is eliminated after December 31, 2010.
- for corporations with total paid-up capital between $10 million and $20 million, the rate will be reduced from 0.2% to 0.1% for fiscal years commencing after January 1, 2009, and to zero for fiscal years commencing after January 1, 2010. (There is a notch provision for total paid-up capital between $20 million and $21 million, which will be adjusted accordingly.)

CCT will be eliminated after December 31, 2010. Corporations with fiscal years straddling this date will prorate the CCT payable for their fiscal year.

Eligible corporations save $59.2 million on a full-year basis due to these measures.

For more information, contact Location C, page C12.

RETAIL SALES TAX

Selected Business Items

(2008/09 revenue impact: $-0.5 million)

The following are exempted from Retail Sales Tax, effective May 1, 2008: services to direct agents (items consumed in a manufacturing process), welding tips and nozzles, and rolls used in the pulp and paper industry.

Also effective May 1, 2008, the existing shipping supplies exemption is expanded to include non-returnable stabilizing supplies.

Manitoba businesses save $0.5 million on a full-year basis due to these measures.

For more information, contact Location C, page C12.

■ GREEN MEASURE

EMISSIONS TAX ON COAL

(no revenue impact until 2011/12)

A new tax of $10 per tonne of carbon-dioxide-equivalent emissions will apply to coal effective July 1, 2011. The tax rate will subsequently be raised to $30 per tonne on a schedule to be announced in a future budget. The Province will also contribute up to 25% of private sector capital costs of investments to convert from coal, and will work with coal users to find appropriate substitutes.

For more information, contact Location A, page C12.

■ TECHNICAL AND ADMINISTRATIVE MEASURES

- *The Tobacco Tax Act* will be amended to require tobacco manufacturers to have a permit for all equipment used in Manitoba to manufacture tobacco products, and to update the marking provisions.
  For more information, contact Location A, page C12.

- The capital gains refund provisions under Manitoba income taxation applicable to mutual fund trusts will be made fully available to mutual fund corporations retroactive to 2006.
  For more information, contact Location A, page C12.

- The Riparian Tax Credit will be extended to permit another intake group running from 2009 through 2013.
  For more information, contact Location B, page C12.

CONTACTS FOR FURTHER INFORMATION

A: ***Federal-Provincial Relations***
and Research Division, Manitoba Finance
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Manitoba Finance
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F: ***Knowledge Enterprises Branch***
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G: ***Economic Development Initiatives***
Manitoba Agriculture, Food and Rural Initiatives
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Web: www.manitoba.ca/agriculture/ri

H: ***Manitoba Competitiveness, Training and Trade***
Telephone: 204-945-0141
Fax: 204-948-1193

I: ***Manitoba Health and Healthy Living***
c/o At Your Service Manitoba
Toll-free: 1-866-626-4862

J: ***Arts Branch***
Culture, Heritage and Recreation Programs
Manitoba Culture, Heritage, Tourism and Sport
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Fax: 204-948-1684

PERSONAL TAX SAVINGS SINCE 1999

Personal Income Taxes, Education Property Tax Credits, Residential Education Support Levy and Farmland School Tax Rebate

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	**Cumulative Annual Totals**
	(Millions of Dollars)											(Millions of Dollars)
Income Tax Reductions[1]												
BUDGET												
2000	9	68	34									111
2001		29	7	18								54
2002			15									15
2003					39							39
2005							30					30
2006							8	34				42
2007								25	51	28	16	120
2008									1	30	14	45
SUBTOTAL	9	97	56	18	39	0	38	59	52	58	30	455
Property Tax Reductions[2]												
BUDGET												
2000	26											26
2001		27										27
2002			10									10
2003				19								19
2004					23							23
2005						37						37
2006							39					39
2007								42	2	2	2	48
2008									25			25
SUBTOTAL	26	27	10	19	23	37	39	42	27	2	2	255
Annual Totals	35	124	67	37	62	37	77	101	79	60	32	710
Cumulative Annual Totals	**35**	**159**	**226**	**262**	**324**	**361**	**438**	**539**	**618**	**678**	**710**	

Totals may not add due to rounding.

[1] Measures that are subject to budget balancing requirements are not included.

[2] Property tax reductions result from increases to the Education Property Tax Credit; implementation of, and subsequent increases in the Farmland School Tax Rebate; and reductions in the Residential Education Support Levy, which was phased out completely in 2006.

MANITOBA INCOME TAX SAVINGS FOR TYPICAL TAXPAYERS

Income*	Tax in 1999	Tax Savings in 2008	Tax Savings in 2009	Cumulative Savings over 10 Years	2009 Savings over 1999
	(Dollars)			(Dollars)	(Percentage)
SINGLE PERSON[1]					
10,000	178	145	161	1,052	90.4%
20,000	1,369	221	242	1,777	17.7%
40,000	4,012	626	665	4,421	16.6%
70,000	9,153	1,783	1,869	11,541	20.4%
100,000	14,572	1,983	2,069	13,467	14.2%
FAMILY OF FOUR – ONE EARNER[1]					
25,000	591	509	543	3,719	91.9%
40,000	2,891	961	1,010	6,740	34.9%
60,000	6,625	1,977	2,016	13,419	30.4%
75,000	9,435	2,309	2,396	15,537	25.4%
100,000	13,951	2,230	2,319	14,903	16.6%
FAMILY OF FOUR – TWO EARNERS[1]					
30,000	691	363	399	762	57.7%
40,000	1,453	413	457	3,273	31.5%
60,000	4,107	792	846	5,740	20.6%
80,000	7,169	1,405	1,468	9,083	20.5%
100,000	10,188	1,891	1,968	11,394	19.3%
SENIOR COUPLE[2]					
30,000	571	571	587	4,680	102.8%[3]
40,000	1,632	562	610	4,550	37.4%
60,000	4,542	1,022	1,092	7,144	24.0%
80,000	7,844	1,292	1,369	9,059	17.5%

[1] It is assumed that taxfilers in the single and family examples have earned income and pay Canada Pension Plan and Employment Insurance premiums. In the two-earner family, it is assumed one taxfiler earns 60% of the income and the other earns 40% and pays child-care fees. The Children's Fitness Tax Credit is also claimed for one child in both family examples.

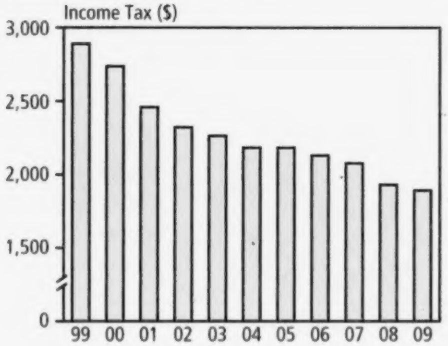
[2] For the senior couple example, it is assumed that both spouses receive private pension income and the Old Age Security Pension. For the years 1999 through 2006, it is assumed that private pension income was split 60/40 by the spouses. The ability to split private pension income was offered beginning with 2007. For 2007, 2008 and 2009, it is assumed that private pension income is split 50/50 where a tax saving would be realized by doing so.

[3] The value exceeds 100% due to a refundable tax credit.

* Income does not reflect Universal Child Care Benefit entitlements but entitlements have been used to determine year-over-year savings.

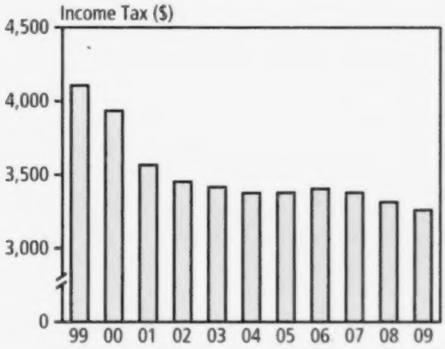
MANITOBA INCOME TAX SINCE 1999

One-Earner Family of Four at $40,000



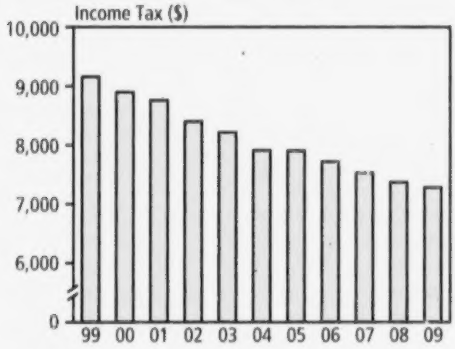
Source: Manitoba Finance

Two-Earner Family of Four at $60,000



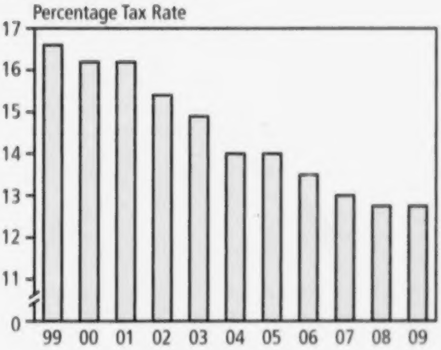
Source: Manitoba Finance

Single Individual at $70,000



Source: Manitoba Finance

History of Middle Bracket Rate Reductions



Source: Manitoba Finance

2008 INTERPROVINCIAL COMPARISON OF TAX RATES

Shows rate applicable on December 31, 2008. Data as of March 31, 2008

	BC	AB	SK	MB	ON
Personal Income Tax					
Top Marginal Rate (%)[1]	14.70	10.00	15.00	**17.40**	17.41
Health Care Premiums ($)[2]	1,296	1,056	----	**----**	0 to 900
Employer Payroll Tax (%)[3]	----	----	----	**2.15**	1.95
Corporation Income Tax (%)					
Small	3.50	3.00	4.50	**2.00**	5.50
Large	11.00	10.00	12.00	**13.00**	14.00
Manufacturing	11.00	10.00	10.00	**13.00**	12.00
Small business threshold ($000)	400	460	500	**400**	500
Capital Tax (%)[4]	----	----	----	**0.20**	0.225
Manufacturers	----	----	----	**----**	----
Banks	3.00	----	3.25	**3.00**	0.855
Sales Tax (%)[5]	7.00	----	5.00	**7.00**	8.00
Diesel Fuel Tax (¢/l)[6]	15.00	9.00	15.00	**11.50**	14.30
Gasoline Tax (¢/l)[7]	14.50	9.00	15.00	**11.50**	14.70
Tobacco Tax (¢/cigarette)[8]	17.90	18.50	18.30	**17.50**	12.35
Corporation Income Tax Credits					
Manufacturing (%)[9]	-----	----	5.00	**10.00**	----
Research & Development (%)[10]	10.00	----	15.00	**20.00**	10.00

[1] Top marginal provincial rates include surtaxes paid by taxpayers in the highest bracket. For more detailed interprovincial comparisons of personal income taxes, see The Manitoba Advantage.

[2] The premiums for BC and AB are family rates; lower rates apply for individuals. ON calculates premiums based upon taxable income: for incomes of $20,000 or less the premium is zero and the maximum premium of $900 is reached at an income of $200,600. The premiums for the QC Prescription Drug Plan are based on income and are a maximum of $521 for a single person and $1,042 for a family.

[3] MB exempts firms with payrolls of less than $1.25 million. ON exempts firms with payrolls of less than $400,000. QC has graduated rates for firms with payrolls of under $5 million. NL exempts firms with payrolls of less than $600,000.

[4] MB has a $10 million deduction and a 0.4% rate on taxable paid-up capital in excess of $21 million. QC has a $1 million exemption and graduated rate reductions for the range between $1 million and $4 million. ON has a $12.5 million deduction. NB and NS have a $5 million deduction. MB, ON, QC exempt manufacturers from capital tax.

FEDERAL AND MANITOBA INCOME TAX RATES, 2008

Personal Income Tax Rates

Federal

Rate	Taxable Income Range
15%	$0 – $37,885
22%	$37,886 – $75,769
26%	$75,770 – $123,184
29%	over $123,184

Manitoba

Rate	Taxable Income Range
10.9%	$0 – $30,544
12.75%	$30,545 – $66,000
17.4%	over $66,000

QC	NB	NS	PE	NL	
					Personal Income Tax
19.22	17.95	19.25	18.37	16.50	Top Marginal Rate (%)[1]
0 to 1,042	----	----	----	----	**Health Care Premiums ($)**[2]
4.26	----	----	----	2.00	**Employer Payroll Tax (%)**[3]
					Corporation Income Tax (%)
8.00	5.00	5.00	3.20	5.00	Small
11.40	13.00	16.00	16.00	14.00	Large
11.40	13.00	16.00	16.00	5.00	Manufacturing
400	400	400	400	400	Small business threshold ($000)
0.36	0.10	0.20	----	----	**Capital Tax (%)**[4]
----	0.10	0.20	----	----	Manufacturers
0.98	3.00	4.00	5.00	4.00	Banks
7.50	8.00	8.00	10.00	8.00	**Sales Tax (%)**[5]
16.20	16.90	15.40	11.50	16.50	**Diesel Fuel Tax (¢/l)**[6]
15.20	10.70	15.50	7.10	16.50	**Gasoline Tax (¢/l)**[7]
10.30	11.75	16.52	17.45	18.00	**Tobacco Tax (¢/cigarette)**[8]
					Corporation Income Tax Credits
5.00	----	----	10.00	----	Manufacturing (%)[9]
----	15.00	15.00	----	15.00	Research & Development (%)[10]

[5] Retail Sales Tax refers to general rate only. QC and PE apply the sales tax on top of GST-inclusive prices. Sales taxes in NB, NS and NL are harmonized with the federal Goods and Services Tax.

[6] Vancouver and Victoria levy an additional 6 cents and 2.5 cents per litre, respectively. Effective July 1, 2008, BC additionally imposes a carbon tax of 2.8 cents per litre of diesel fuel. QC applies QST and NB, NS and NL apply HST. PE's diesel fuel rate is set on a monthly basis and has a flat and variable component, to a maximum of 20.2 cents per litre.

[7] Vancouver, Victoria and Montréal levy an additional 6 cents, 2.5 cents and 1.5 cents per litre, respectively. Effective July 1, 2008, BC additionally imposes a carbon tax of 2.4 cents per litre of gasoline. QC applies QST and NB, NS and NL apply HST. PE's gas tax rate is set on a monthly basis and has a flat and variable component, to a maximum of 15.8 cents per litre.

[8] SK, MB, NB, NS and NL apply sales tax to all tobacco products.

[9] SK's credit is fully refundable. 70% of MB's credit is refundable. QC's credit is fully refundable if under $250 million of taxable capital. PE's credit is non-refundable.

[10] BC's credit is refundable for Canadian-controlled Private Corporations for expenditures up to $2 million. SK and MB is non-refundable. ON, NB, NS, and NL's credit is refundable.

Corporation Income Tax Rates

	Federal	Manitoba
Basic Rate	19.5%*	13.0%**
Small Business Rate	11.0%	2.0%
Small Business Threshold	$400,000	$400,000

* **After provincial abatement and general rate reduction**

** **Effective July 1, 2008**

■ APPENDIX: MANITOBA TAX EXPENDITURES 2007/08

Introduction

Governments use the tax system to pursue social, cultural and economic objectives in two ways: by direct spending of the revenue raised, and by providing targeted tax preferences to promote specific types of activity or behaviour. The targeted tax preferences can be thought of as tax expenditures since they have much the same effect as direct government spending. For example, direct grants for small businesses, and tax credits for people who invest in small businesses, could have quite similar costs and results. A tax expenditure is measured as a deviation from a benchmark tax base. The expenditure can be in the form of a deduction, credit, preferential rate, deferral, or exemption. Tax expenditures may target taxpayers (ex: individuals, corporations); activities (ex: farming, film production, manufacturing); property (ex: machinery, equipment); sources of income (ex: pensions); transactions (ex: RRSP contributions); or events (ex: involuntary dispositions).

Accounting for Tax Expenditures

Tax expenditure accounts promote accountability and transparency in government programming. Direct expenditure programs are subject to review and approval by the Legislature and are published annually in the public accounts. Tax expenditures, on the other hand, are not recorded as individual line items but are absorbed into revenue estimates. Tax expenditures reduce government revenues that would otherwise have been available for various direct expenditures. Therefore, tax expenditure accounts not only help to enhance the visibility of programs, but promote public accountability as well. Departments routinely estimate and evaluate the cost of various tax incentives as part of the annual budget process. It is generally understood that tax expenditure accounting in no way evaluates tax policy, nor does it address the desirability of the tax provisions, or their usefulness in achieving tax policy objectives. Tax expenditure accounts should not be associated with identifying tax loopholes or areas where reform is needed.

Limitations of Tax Expenditure Accounting

Tax expenditure accounting has important limitations that must be kept in mind when interpreting results. There are no formal accounting guidelines for tax expenditures. The value of each tax expenditure is estimated individually. Interactions between provisions are not taken into account. This has two effects. First, estimates for two or more tax expenditures cannot be added together to arrive at a combined value. Second, changing any one tax expenditure might affect the value of other tax expenditures. The values in the account are estimates. Point 2 can best be illustrated by example. Changing something that is a deduction from income (ex: RRSP contributions) would change reported net income. This in turn would change the value of tax credits, such as Manitoba's Personal Tax Credit, that depend on net income. The combined value of the tax expenditures listed in the account is substantially less than the sum of the individual items.

Reporting Tax Expenditures

Manitoba's tax expenditure accounts are separated into six sections: personal income tax, corporation income tax, payroll tax, retail sales tax, fuel taxes, and corporation capital tax. The estimates are calculated from tax collection and departmental data. The estimates provided are for the 2007/08 fiscal year. They do not include measures announced in the 2008 Budget, or measures announced in previous budgets for implementation after 2007. Certain Manitoba personal income tax credits have the characteristics of tax expenditures but are, in fact, accounted for in Manitoba's Estimates of Expenditure. Examples include the Education Property Tax Credit and the Personal Tax Credit. These credits are not included in the tax expenditure table. For the sake of comparison, these credits are listed below.

CREDITS ACCOUNTED FOR AS EXPENDITURE ITEMS	2007/08 (millions of dollars)
Education Property Tax Credit (including the Advance)	222.9
Personal Tax Credit	46.3
Farmland School Tax Rebate	28.8
School Tax Credit for Homeowners	2.3
Political Contribution Tax Credit (for individuals only)	0.9
Community Enterprise Development Tax Credit	0.6
Community Enterprise Investment Tax Credit	1.3
Riparian Tax Credit	0.1
TOTAL	**303.2**

MANITOBA TAX EXPENDITURES, 2007/08

	(Millions of Dollars)
PERSONAL INCOME TAX	
(a) **Adjustments to Income** (in accordance with tax collection agreements)	
Contributions to RRSPs	131.6
Contributions to RPPs	69.8
Capital gains inclusion rate	73.7
Lifetime capital gains exemption	22.5
Social assistance, WCB, and OAS/GIS (non-taxable income)	18.9
Union dues and professional fees	14.8
Child-care expenses	10.9
Northern Residents Deduction	5.7
Pension Income Splitting	8.5
Moving expenses	1.6
Scholarship and bursary income exemption	1.8
Tradespeople's tool expense	0.4
(b) **Non-refundable tax credits** (basic credits provided federally and by all provinces)	
Basic personal	570.7
CPP/EI	100.2
Charitable donations	69.6
Age	29.6
Tuition fees and education amount ($400/month)	25.6
Medical expenses	23.6
Spousal	21.7
Eligible dependent	14.1
Private pension	11.7
Disability	11.7
Caregiver	1.6
Student loan interest	0.9
Infirm dependents	0.1
(c) **Other Manitoba Tax Measures**	
Tuition Fee Income Tax Rebate	11.5
Children's Fitness Tax Credit	3.0
Adoption Expenses Tax Credit	0.1
Foreign Tax Credit	2.8
Labour-sponsored Venture Capital Corporations Tax Credit	1.2
Mineral Exploration Tax Credit	1.3
Overseas Employment Tax Credit	0.5
Manitoba Equity Tax Credit	0.0

	(Millions of Dollars)
CORPORATION INCOME TAX	
Low rate for small business	137.0
Manufacturing Investment Tax Credit	26.3
Research and Development Tax Credit	20.1
Film and Video Production Tax Credit	18.1
Odour Control Tax Credit	0.1
Co-operative Education Tax Credit	0.2
Green Energy Equipment Tax Credit	0.3
PAYROLL TAX	
$1.25 million exemption	124.3
Exemption for interjurisdictional common carriers	12.5
RETAIL SALES TAX	
Exemptions and Refund Programs	
Groceries	189.4
Farm machinery and repairs	40.5
Farm and organic fertilizer	20.7
Prescription drugs and medicine	19.0
Farm pesticides and herbicides	15.7
Books, free magazines and newspapers, and school yearbooks	16.4
Medical supplies, appliances and equipment	12.5
Electricity used for manufacturing or mining	11.7
Natural gas for residential heating	11.2
Water supplied by a municipality	10.7
Children's clothing and footwear	9.9
Custom software and computer programming	6.4
Vehicle trade-ins	6.2
Toll-free calls	5.1
Electricity for residential heating	4.6
Vehicle private buy/sell refunds	3.4
Direct Agents - manufacturing and service industries, and drill bits and explosives used in mining industry	2.4
Municipal exemptions (including the purchase of ambulances, fire trucks and related equipment, and gravel or sand purchased by a municipality for its own use)	1.4
Qualifying geophysical survey and explorations equipment, drill rigs and well-servicing equipment used in oil and gas exploration and development	1.3
Feminine hygiene products	1.0
Mobile, ready-to-move and modular homes (point of sale reduction)	0.8
Films for public broadcast	0.4
Farm manure slurry tanks and lagoon liners	0.3
Qualifying geophysical survey and exploration equipment and prototype mining equipment	0.1

	(Millions of Dollars)
FUEL TAX	
Marked gasoline and diesel	41.8
Biodiesel exemption	0.1
Gasohol taxed at lower rate	1.2
Ethanol grant	3.0
CORPORATION CAPITAL TAX	
Capital deduction	32.3
Credit unions and caisses populaires exemption	15.0
Co-operatives exemption	0.7

All estimates are based on the most complete information available at the time of publication.

In some cases new information may significantly revise earlier estimates

Source: Manitoba Finance Estimates, March 31, 2008

Budget Paper D

THE MANITOBA ADVANTAGE

Manitoba

THE MANITOBA ADVANTAGE

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THE MANITOBA ADVANTAGE

Ask any Manitoban what's important to them about their province and you'll likely hear about a strong sense of community, easy access to parks, cottages and other outdoor recreational options, quality public services or an affordable, quality lifestyle.

But Manitoba is more than these things. Manitoba is also recognized for a strong and stable economy. And despite growing international instability, a weaker U.S. economy and continued challenges posed by the rising Canadian currency, Manitoba's total economy grew by a robust 3.0% in 2007, bettering Canada's increase for the second consecutive year.

Manitoba Finance's survey of independent forecasters shows that, in both 2008 and 2009, the provincial economy will again surpass Canada's economic expansion.

Credit Rating Agency Improvements for Manitoba, 2000-2007

Date	Agency	Actions
January 2003	Moody's	Upgraded to Aa2
September 2003	DBRS	Upgraded to A (high)
October 2006	DBRS	Upgraded Short-Term Debt Rating to R-1 Mid
November 2006	Moody's	Upgraded to Aa1
November 2006	Standard & Poor's	Outlook upgraded from (stable) to (positive)
December 2007	Standard & Poor's	Upgraded to AA (stable)

One of the principal indicators of confidence in the economy is capital investment. Investment helps drive economic growth, and Manitoba's capital investment grew faster than any other province in Canada last year. For 2008, Statistics Canada estimates that Manitoba will again be the country's investment growth leader with a 18.8% gain, Manitoba's third consecutive double-digit increase in capital spending.

Strong growth in Manitobans' incomes was again a key feature of the province's success story. Average weekly earnings increased 4.2% in 2007, the strongest annual increase since 1989. Manitoba's real average earnings growth has been second strongest in Canada over the past five years.

Employment and the labour force grew at 1.6% and 1.7%, respectively, the best performance in five years. Unemployment at 4.4% was well below the national rate of 6.0%. With increased opportunities in the province's labour markets, the labour force participation rate and employment rate both reached all-time highs.

Growing incomes translated into buoyant consumer confidence in 2007, as retail sales rose 9%, the best growth in a decade, and housing starts increased 14% to the highest level recorded in 20 years.

While these measures of economic performance underscored Manitoba's strong and stable economy last year, perhaps the most important one is the fact that more people chose to make Manitoba their home than at any time in at least the past thirty-five years. Strong immigration propelled Manitoba's population in the year by 1.1%, bettering the national increase.

Manitoba's Top Exports are a Diverse Mix of Consumer and Industrial Goods including:

- Primary Metals
- Machinery
- Aerospace
- Buses
- Fertilizers
- Pharmaceuticals
- Hydro-electricity
- Grains and Oilseeds
- Processed and Frozen Foods
- Cattle and Hogs

Manitoba's Top Exports Destinations:

1. United States
2. China
3. Japan
4. Hong Kong
5. Taiwan
6. Mexico
7. Belgium
8. United Kingdom
9. South Korea
10. South Africa

Manitoba provides businesses and residents with a unique set of benefits that we call The Manitoba Advantage:

- a productive, well-educated and multilingual labour force
- a favourable business cost environment, including competitive office and land costs, reasonable construction costs and affordable taxes
- modern and extensive communications infrastructure
- an extensive network of research and development (R&D) facilities, supporting innovation and productivity
- a convenient mid-continent location in the North American central time zone
- cost-effective transportation links and intermodal facilities providing shipping by road, rail, air and sea
- an extremely favourable cost of living, including some of North America's lowest electricity costs
- reliable and accessible public services, including quality universal public health care and education
- safe communities, a dynamic cultural and artistic community, and an attractive natural environment – all of which contribute to an unsurpassed quality of life.

This budget paper provides details on The Manitoba Advantage, including business and personal costs and taxes, facts on Manitoba's quality of life and Manitoba's Arts and Culture Advantage.

What is The Manitoba Advantage?

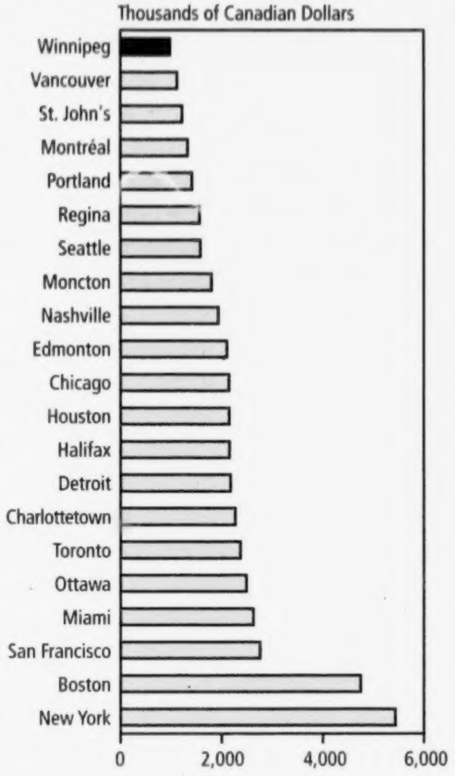
Manitoba has posted Canada's most stable growth over the last ten years. Diversity is the key to this stability, as the province is home to many industries producing a wide range of industrial and consumer goods and services. These include firms in aerospace and bus manufacturing, food processing, pharmaceuticals, financial services, entertainment, electricity, chemicals, agriculture and transportation. Manitoba's consistent economic performance contributes to a more stable workforce and a predictable local business environment.

Manitoba Hydro is one of North America's major electricity companies and the lowest-cost electricity provider in Canada. About 98% of the province's electricity is generated by clean, reliable and environmentally desirable water power. In Manitoba this is a plentiful resource, with about 13% of Canada's fresh water entering Manitoba and draining into Hudson Bay. Manitoba Hydro currently has a generating capacity of almost 5,500 megawatts (MW) in the province and tremendous potential for future growth with over 5,000 MW more of hydro resources identified for possible development. The utility has initiated construction on the new 200 MW Wuskwatim hydro-electric generating facility. In 2006, Manitoba became home to a new 99 MW wind farm, adding even more clean energy supply to Manitoba's electricity portfolio, and is currently considering proposals for the addition of a further 300 MW of wind generation.

Manitoba's central location in North America has long made the province a transportation hub. Together, Manitoba's intermodal transportation facilities offer substantial flexibility and cost savings to business, with ready access to the United States. Winnipeg is the largest distribution centre between the Pacific coast and Toronto, and the only major city between Vancouver and Thunder Bay with direct U.S. rail connections. Winnipeg's extensive and modern rail car marshalling facilities for both national railway systems, Canadian Pacific Railway and Canadian National Railway, can handle over 5,000 rail cars per day. Manitoba is a central nexus for truck cargo, with several of Canada's top for-hire trucking carriers headquartered in Winnipeg. The rapid increase in Manitoba's exports has vaulted the Emerson-U.S. border crossing facility into top spot in the value of truck trade among Western Canada's border crossings; with $13.7 billion in trade traffic, Emerson is fifth largest among all Canadian border crossings.

A flexible and convenient air transportation system is vital to business success. Winnipeg James Armstrong Richardson International Airport is one of the few major North American airports that operates 24 hours a day. It offers a broad range of services, including international carriers, commuter airlines, jet freight, and extensive cargo and courier facilities. In 2007, it served a record-high 3.6 million passengers, an increase of five per cent from 2006, and moved over 150 million kilograms of air cargo. The Airport is currently undergoing an extensive, multi-year capital program with total investment of $585 million, including the construction of a new air terminal building. The project will be completed by the end of 2009.

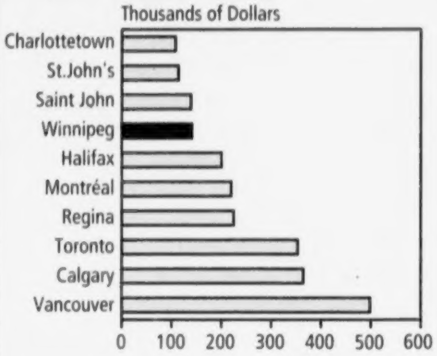
Monthly Electricity Cost
Commercial/Industrial Customer
50 MW and 30,600 MWh, 2007



Source: Hydro-Québec

Manitoba is home to the only deep-sea port in the Prairie Region. The Port of Churchill, owned by OmniTRAX Inc., offers shippers cost advantages for ocean shipping to and from major overseas trading markets through Hudson Bay. The Port has four deep-sea berths to allow loading and unloading of cargo and grain from vessels with up to 60,000-tonne capacity. Last year, Churchill saw over 620,000 tonnes of grain go through the Port, the best shipping volume in seven years, with products destined for customers in South America, Europe and Africa. OmniTRAX and the provincial and federal governments have announced that almost $70 million will be invested in rail line and Port improvements over the next several years to enhance Churchill's role in international trade.

Average House Price Standard Townhouse



Source: Royal LePage Survey of Canadian House Prices, Fourth Quarter 2007

With an extensive natural resource base, Manitoba is a major producer of primary goods. The mining industry processes a wide variety of minerals, including nickel, copper, zinc, gold, cesium, tantalum and oil. Together, the value of these products was a record-high $3.1 billion in 2007. Manitoba has a large and long-established forestry industry that produces paper, newsprint and lumber. The inland commercial fishing industry is one of Canada's largest, accounting for one-quarter of Canada's commercial freshwater catch. A temperate climate, rich soil, fresh water and a large arable land base have made Manitoba a key agriculture producer. Careful management of Manitoba's natural endowments ensures the sustainable development of these resources now and in the future.

Manitobans enjoy advanced connectivity through a comprehensive telecommunications infrastructure. Broadband services are widely available and the extensive cellular network covers virtually all of the province's population. High-speed internet is available to the substantial majority of Manitoba households, making Manitoba one of the most broadband-enabled provinces in the country.

Manitoba Capital Investment

Manitoba is projected to be the growth leader among provinces in capital investment in both 2007 and 2008.

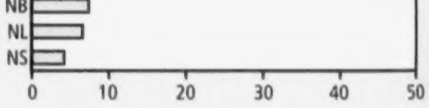
Statistics Canada's Survey of Private and Public Investment estimates that 2008 capital spending in Manitoba will reach a record high of $10.9 billion, up 18.8% from 2007. In 2007, the survey shows Manitoba's investment increased 16.8%. In both years, Manitoba's increase is the strongest in Canada and three times the national increase.

Manitoba's private capital investment is estimated to increase 22.4% this year, the third consecutive year that Manitoba's private investment will exceed Canada's increase. Over the last three years, growth in private capital investment in the province is 53%, the highest among provinces and more than double the national increase.

While Manitoba's private investment growth has been very strong over the last several years, Manitoba is unique among provinces insofar as private capital spending has increased in the province each year for the last 17 years. This consistent growth underscores Manitoba's overall stability through business cycles.

Manitoba's public capital investment is estimated to increase 10.6% in 2008, fifth among provinces and in line with the national average increase of 11.8%.

Capital Investment Growth, 2006-2008i



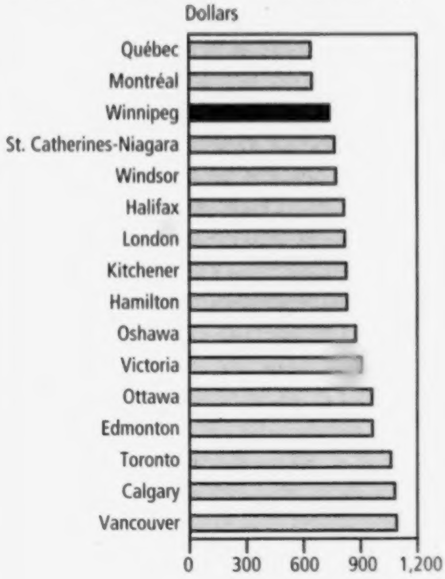
i - Intentions

Source: Statistics Canada

Average Rents, October 2007

Private Two-Bedroom Apartments

CMAs with Population over 250,000



Note: excludes provincial renters' credits

Source: Canada Mortgage and Housing Corporation

Research and innovation continue to play an important role in Manitoba's economic growth and diversification. The province has a strong and growing knowledge cluster in a number of fields, although the R&D presence is most notable in life sciences. Private industry, government and post-secondary institutions contribute to the province's growing R&D infrastructure.

Manitoba remains committed to providing quality public services such as health care. There are no premiums or personal charges for medical services in Manitoba for either employers or individual Manitobans. This is a major advantage over U.S. locations for both businesses and residents. In the U.S., premiums for employer-sponsored health insurance averaged over US$12,100 per employee for family coverage in 2007.

Having the skills and knowledge to meet the challenges of the 21st century is a prerequisite for a prosperous and growing economy. Manitobans enjoy a quality public education system, including affordable, high-quality post-secondary education opportunities in several universities and colleges. Higher education continues to be affordable in Manitoba, with undergraduate tuition among the most affordable in Canada. Approximately 27,000 students attend the University of Manitoba on a full-time or part-time basis. The University offers a wide range of post-secondary programs, including a wide range of graduate programs, sciences, arts, medicine, law, architecture, fine arts, engineering and agriculture. Another 14,000 students are enrolled in study at Manitoba's other four universities. As well as university study, over 15,000 students are enrolled at Manitoba's three community colleges.

Competitive operating costs and taxes make Manitoba one of the best provinces in Canada for business. More details on Manitoba's business cost advantage can be found in Appendix 2, Manitoba's Competitive Environment for Manufacturing (see p. 25).

Manitoba's Quality of Life Advantage

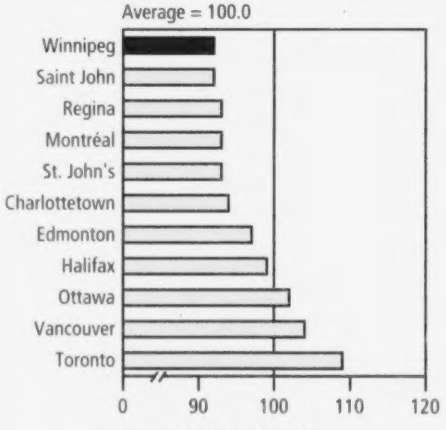
Manitoba's capital, Winnipeg, is a growing cosmopolitan centre of 700,000, and workers enjoy the benefits of convenient and community-minded living. The average commuting distance to work in Winnipeg is 6.1 kilometres, the shortest of any Canadian city with a population over 500,000.

Manitoba continues to have one of the most affordable housing markets in Canada. Both renters and homeowners enjoy substantially lower costs. Winnipeg's house prices and apartment rents remain among the most competitive of major cities in Canada.

Manitobans have a strong community spirit and long tradition of helping others. Manitobans are among the country's leaders in terms of volunteer activity with community, social and charitable groups, with half of the province's population reporting voluntary service. Similarly, Manitobans are more likely to donate to charity than residents of any other province or territory in Canada. Moreover, Manitobans donated a higher proportion of their income to charity than residents of any other province in Canada.

The Government of Manitoba also provides indirect contributions to charities through tax credits on charitable donations. In 2005, over $755 million was donated to all registered charities in the province, including $385 million from individual taxpayers. Through charitable donations tax deductions, Manitoba contributed $106 million in 2005, including $50 million in tax credits to individual taxpayers.

Index of Retail Prices, October 2006



Source: Statistics Canada

Winnipeg has an active and vibrant artistic and cultural scene, including the Winnipeg Art Gallery, the Manitoba Museum, the Royal Winnipeg Ballet, the Winnipeg Symphony Orchestra, the Manitoba Theatre Centre and many other live theatre groups. Manitobans love to celebrate their heritage and the arts, so Manitoba boasts 100 festivals held throughout the year.

Manitoba's diverse population has created a rich and rewarding fabric of cultural and artistic accomplishments. For more details, see The Manitoba Arts and Culture Advantage (see p. 7).

Manitoba has a long sporting tradition. There are professional sports teams in the Canadian Football League, American Hockey League and the Northern Baseball League. The sport of golf came to the province in the early 1800s and now, with more than 125 golf courses, Manitoba has one of the highest ratios of golf courses to golfers in Canada. Manitoba also has the second-highest golfing participation rate in Canada, with almost one in three Manitobans teeing off in the province last year.

Manitobans respect and enjoy their natural environment. Beaches, lakes, rivers and parks are integral parts of Manitoba's quality of life. Manitoba is a province of 100,000 lakes, with almost 15% of the province covered by lakes and rivers. In Manitoba, you're never far from an opportunity to participate in water sports like canoeing, kayaking or swimming, or to just relax at one of Manitoba's world-class beaches. Proximity to lakes and affordable vacation homes has given Manitobans one of the highest rates of vacation homeownership in the country. Winters offer extensive family recreation opportunities for skiing, curling, snowmobiling and (of course) hockey!

Conclusion

Budget 2008 builds on Manitoba's considerable advantages. To show Manitoba's cost competitiveness in more detail, two appendices are attached. The 2008 Interprovincial Comparison of Personal Costs and Taxes (see p. 12), compares provinces' living costs and tax levels for a variety of family types.

Appendix 2, Manitoba's Competitive Environment for Manufacturing, provides a detailed comparison of the taxes and costs faced by representative manufacturers in various Canadian and U.S. cities (see p. 25).

THE MANITOBA ARTS AND CULTURE ADVANTAGE

Culture and the arts are an integral part of the Manitoba way of life and the economy. Our strong cultural scene enriches our lives, and is built on our diverse ethnic fabric, world-class attractions, and the imagination and creativity of our citizens. As an economic sector, culture stimulates creativity and growth. It is for all of these reasons that the Manitoba Government actively supports and promotes arts and culture in the province.

The Diversity of Manitoba Arts and Culture

The Manito Ahbee International Competition Pow Wow at the MTS Centre in Winnipeg.

Manitoba has one of the most diverse cultural environments in Canada. This diversity, combined with our love of the arts and culture, provides the nurturing environment for artistic and cultural expression to blossom.

Manitoba's Aboriginal communities are among the largest and most creative in Canada, and new initiatives by the Government of Manitoba continue to enrich our communities. The Aboriginal Cultural Initiatives Program, the Aboriginal Arts Education Program and the Aboriginal Music Program help to bring the creative genius of the Aboriginal community together to the benefit of all Manitobans. In November 2007, Manitoba hosted the Aboriginal Peoples Choice Music Awards in conjunction with the new Manito Ahbee Festival, which showcased Aboriginal music, arts, culture and heritage. The 2007 festival attracted over 24,000 participants and spectators – an increase of more than 20% over the inaugural event in 2006. The 2008 Festival and Music Awards will be held in Manitoba in November.

In 2007, Manitobans chose to name the new public holiday in honour of Louis Riel, in recognition of the important contribution he made to the development of Manitoba and Canada. As part of the official launch of the first Louis Riel Day on February 18th, 2008, thousands of Manitobans participated in ceremonies and public events to honour Manitoba's visionary leader and to learn more about the province's rich heritage.

Manitoba is home to one of Canada's largest and most dynamic Francophone communities in Canada outside of Quebec, and is steeped in rich tradition. The French Quarter of St. Boniface is home to many arts and cultural groups, such as the Centre culturel franco-manitobain, with its resident Francophone organizations such as the Ensemble folklorique de la Rivière-Rouge, and Le 100 Nons, as well as Le Cercle Molière, Canada's oldest continuously operating professional theatre company. Other Francophone communities throughout the province are home to numerous annual cultural events and organizations that make Manitoba a great place to live, in both official languages. Co-operation agreements between Manitoba and other provinces with Francophone populations, such as Quebec and New Brunswick, provide for a broad range of exchanges and opportunities for Franco-Manitoban artists, producers and organizations to promote the work of Manitoba artists outside of the province, to access expertise and training opportunities, and to develop new models and best practices. In 2007/08 exchanges took place with France, Quebec, and New Brunswick in areas such as heritage, theatre, film, sound and the visual arts.

Manitoba supports a number of diverse cultural organizations and activities throughout the year that enrich the lives of Manitobans and attract many visitors to a province that embraces diversity. Manitoba is home to the largest Icelandic settlement in the world outside Iceland, one of North America's most vibrant Métis communities, one of the largest Filipino communities in Canada and many dynmic Ukrainian and Mennonite communities throughout the province.

Manitoba's Cultural Industries Flourish

Manitoba's cultural industries continue to enjoy a high degree of profile, success and recognition on national and international stages. The Manitoba Writers' Guild celebrated its 25th anniversary in 2007 by publishing a 400-page anthology of Manitoba writing featuring the work of 90 Manitoba writers including Giller prize-winning novelist David Bergen and Governor General award-winning author Miriam Toews.

The classic musical *Fiddler on the Roof* was presented by the Manitoba Theatre Centre in celebration of its 50th anniversary season.

Manitoba's 14 book publishers generated over $3.1 million in sales in 2006. Manitoba publishers continued to produce books in all genres, which included the comprehensive Encyclopedia of Manitoba published by Great Plains Publications. Scirocco Drama is Canada's second-largest publisher of plays, many of which have won literary awards. Scirocco winners of the Governor General's Award for Drama include Manitoba playwright Ian Ross for fareWel. Budget 2008 introduces the Book Publishing Tax Credit, a 40% refundable income tax credit for Manitoba publishers.

Manitoba's sound recording industry continues to be one of our most dynamic cultural industries. In December 2005, the Manitoba Audio Recording Industry Association released its *Music is Working Economic Impact Study* that revealed an industry producing economic results on a level similar to Manitoba's film industry. In 2004, total music industry expenditures reached $108 million and the net positive impact on Manitoba's Gross Domestic Product (GDP) was $87 million. In 2006/07, Manitoba artists released an incredible 205 albums and Manitoba artists received over 131 nominations for national and international music awards. This list includes the Grammy Awards, Canadian Country Music Awards, Aboriginal Peoples Choice Music Awards, Western Canadian Music Awards, Canadian Independent Music Awards and the Juno Awards. For the 2008 Juno Awards in Calgary, four Manitoba acts have been nominated. Following successful hosting ventures such as the 2005 Juno Awards, Winnipeg will host the Canadian Country Music Awards in September 2008.

The television and film production industry is continuing to perform at a high rate. Although slightly below the record-high level of $124 million set in 2005/06, production volumes for 2006/07 reached $114 million on 55 projects. As of January 1, 2008, over 40 films have been shot and production activity for the year already stands at $117 million. This year's figures include the $25 million feature film Chilled in Miami, starring Renée Zellweger. Given other projects slated for shooting before year end the industry may surpass the industry-high benchmark set in 2005/06. The industry has now met or exceeded $100 million

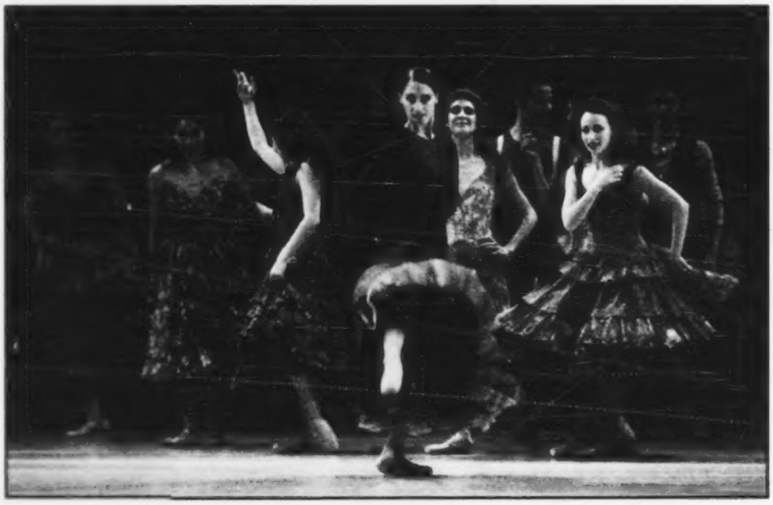
Manitoba Film and Video Production Tax Credit

Since 1999, the Manitoba Government has continued to improve the Manitoba Film and Video Production Tax Credit. When it was introduced in 1997, the basic rate was 35%. Since 2000, the tax credit has been built up with a number of novel innovations. In 2004, a 5% Frequent Filming Bonus for returning producers was introduced. Also, to expand film production activity throughout the province, a 5% Rural and Northern Manitoba Incentive was added. In response to the increasing competitiveness of filming incentives offered by other jurisdictions, the basic credit was increased from 35% to 45% in 2005. This Budget goes even further. It doubles the Frequent Filming Bonus from 5% to 10%, in recognition of the need to address the impact of the higher Canadian dollar on Manitoba's ability to attract feature film productions. It introduces a 5% Manitoba Producer Bonus to promote the use of Manitobans as producers on offshore and co-production film projects, as well as benefiting films shot by local producers. Since 2000, the Manitoba Government has almost doubled the tax credit, from 35% to 65%, the highest among provinces.

The merits of the film tax credit have been realized in the increase in film activity since 1997. In 1997, production budgets for films shot in Manitoba totalled $17 million. Since 2003, that figure has exceeded $100 million annually, a five-fold increase. Since the film tax credit was introduced in Manitoba, film productions costing over $758 million have been made in Manitoba.

in annual production activity for five straight years. Through the Manitoba Film and Video Production Tax Credit, direct equity financing and other programs, the Manitoba Government provided an estimated $18 million in support for this industry in 2006/07.

Manitoba Attractions and Festivals



Canada's premier ballet company, the world renowned Royal Winnipeg Ballet in Mauricio Wainrot's *Carmen, The Passion.*

Many of Canada's premier cultural attractions are found in Manitoba. The world famous Royal Winnipeg Ballet was the first dance company to be established in Canada and brings Winnipeg to the world through touring performances. The Manitoba Museum is a highlight for visitors to the province, and is one of only three Canadian attractions to achieve the Michelin Guide three-star rating. The Winnipeg Art Gallery has the world's largest collection of contemporary Inuit art, including over 10,000 sculptures, prints, paintings and textiles. The Manitoba Theatre Centre, The Winnipeg Symphony Orchestra, the Manitoba Opera, the Costume Museum of Canada, and sites like Lower Fort Garry and The Forks, are only a small sample of the hundreds of attractions found throughout the province.

Manitoba also features many contemporary cultural attractions such as the Plug-In Institute for Contemporary Art, the Winnipeg Film Group, the Manitoba Printmakers Association and Urban Shaman, an Aboriginal artist-operated centre that presents contemporary visual art exhibitions.

One of North America's premier outdoor music festivals, the Winnipeg Folk Festival attracts an attendance over 40,000 every July.

Manitoba is also home to the Hudson's Bay Company Archives, a world-renowned documentary heritage collection. In 2007, UNESCO recognized the HBC Archives by including them in their Memory of the World Registry. This collection reflects the heritage of Canada's west and north and its peoples, and contributes to understanding our land as it is today. It is a rich resource for researchers worldwide who have created books, films, television productions, websites and exhibitions from its documents, images and maps.

There are also exceptional venues across the province, ranging from the newly expanded Keystone Centre and the Western Centennial Auditorium in Brandon, to Prairie Theatre Exchange, Rainbow Stage and the Manitoba Theatre for Young People. In 2004, Manitobans saw the opening of the MTS Centre, the new 15,000-seat, $135 million entertainment centre and arena. According to industry surveys, the MTS Centre is the third-busiest ticket venue in Canada and among the top-thirty busiest facilities in the world.

Manitoba celebrates many world-class festivals throughout the year. In winter, the Festival du Voyageur, the largest winter festival in Western Canada, attracts thousands of visitors to Winnipeg's French Quarter. Further north, the Northern Manitoba Trappers' Festival in The Pas brings the frontier spirit of the north to life. In Brandon, the Royal Manitoba Winter Fair attracts people from across Canada. St. Laurent hosts the Manipogo Festival, a celebration of ice fishing and of Métis culture.

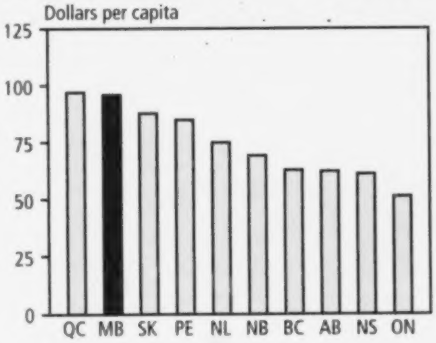
People from around the world are also drawn to Winnipeg's summer festivals, such as Folklorama, one of the world's largest and longest-running cultural festivals. Folklorama attracted almost 460,000 visits to 45 pavilions during its two-week run in 2007. The Winnipeg Fringe Festival, the second-largest festival of its kind in North America, boasted a total paid attendance of 72,000 in the summer of 2007. The Winnipeg Folk Festival has been providing folk music lovers with great entertainment since 1974 and attracts over 45,000 people each season. The Festival also contributes more than $16 million to the provincial economy. Other important festivals include the Jazz Winnipeg Festival, Canada's National Ukrainian Festival in Dauphin and the Islendingadagurinn Festival in Gimli. Vibrant community fairs and exhibitions can be found in every corner of the province. Several festivals are also geared for young people, including Freeze Frame, a film festival for children and young people, and the Winnipeg International Children's Festival, which builds on first-rate children's attractions such as the Manitoba Theatre for Young People and the Manitoba Children's Museum.

Provincial Support for Arts and Culture

Culture and the arts are actively supported by the Manitoba government. The Manitoba government directly spent over $112 million on culture during the 2003/04 fiscal year, the latest period for which Statistics Canada's data on culture funding is available. At $96 per person, Manitoba had the second-highest provincial per capita spending on culture. Manitoba also has the second-highest per capita provincial funding of the performing arts among provinces. The Province also provides substantial support to cultural organizations in Manitoba through tax credits on charitable contributions to these organizations.

Arts and culture play a key role in enhancing our economy and economic competitiveness. Manitoba has one of the highest per capita revenue and attendance levels for arts and culture in Canada, and the sector employs over 14,000 people. A recent study by the Canada West Foundation, *Culture and Economic Competitiveness*, highlights the social benefits that cultural industries can provide. These include improving health and well-being, enhancing community identity and social cohesion, and facilitating community revitalization.

Provincial Government Per Capita Expenditures on Culture, 2003/04



Source: Statistics Canada

Appendix 1:
2008 INTERPROVINCIAL COMPARISON OF PERSONAL COSTS AND TAXES

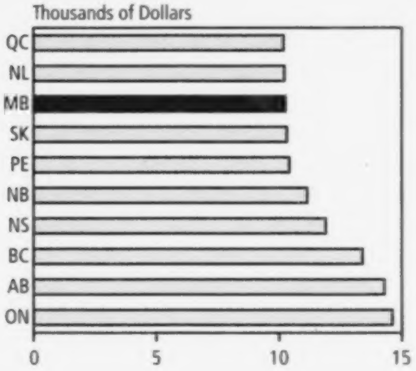
Since 1999, Manitoba's overall provincial rankings for personal costs and taxes have been among the best in Canada. For 2008, Manitoba ranks among the best three in total costs among the six representative families.

The following charts show that Manitoba remains one of the most affordable provinces in which to live, with among the lowest costs for child care, gasoline tax, automobile insurance, electricity and housing costs.

A superior quality of living with lower personal costs and taxes – that is The Manitoba Advantage.

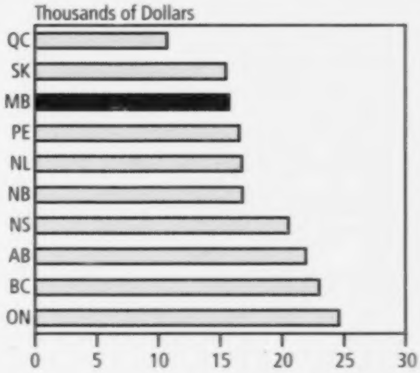
Annual Personal Costs and Taxes
Single Person Earning $30,000

- third-lowest combined taxes and living costs in the country
- fifth-lowest provincial levies



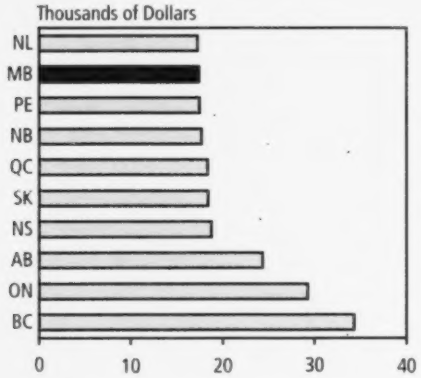
Annual Personal Costs and Taxes
Single Parent Earning $30,000

- third-lowest combined taxes and living costs in the country
- fourth-lowest provincial levies



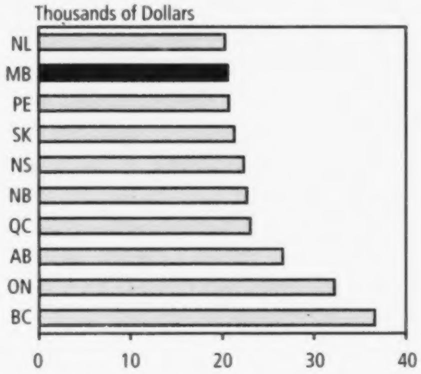
Annual Personal Costs and Taxes One-Earner Family of Four Earning $40,000

- second-lowest combined taxes and living costs in the country
- third-lowest provincial levies



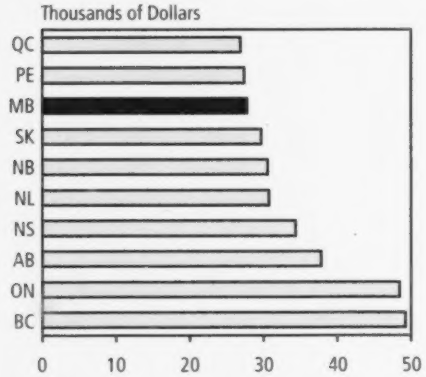
Annual Personal Costs and Taxes One-Earner Family of Four Earning $60,000

- second-lowest combined taxes and living costs in the country
- fourth-lowest provincial levies



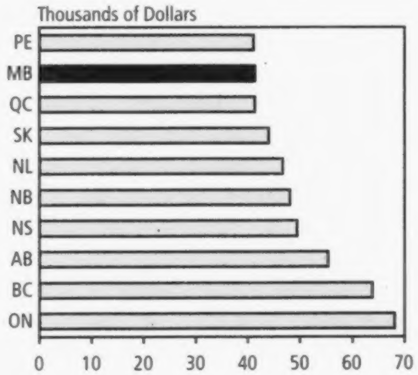
Annual Personal Costs and Taxes Two-Earner Family of Four Earning $60,000

- third-lowest combined taxes and living costs in the country
- fourth-lowest provincial levies



Annual Personal Costs and Taxes Two-Earner Family of Five Earning $75,000

- second-lowest combined taxes and living costs in the country
- fifth-lowest provincial levies



2008 Comparison of Annual Personal Costs and Taxes

Single Person: $30,000	BC	AB	SK	**MB**	ON
Provincial Income Tax	920	1,201	2,011	**1,595**	1,133
Health Premiums	648	528	0	**0**	300
Subtotal PIT and Premiums	1,568	1,729	2,011	**1,595**	1,433
Retail Sales Tax	411	0	211	**299**	415
Carbon Tax Credit	(100)	0	0	**0**	0
Total Provincial Levies, PIT, Credits and Premiums	1,879	1,729	2,222	**1,893**	1,848
Rent	10,152	10,764	6,648	**6,936**	10,800
Electricity	308	620	522	**303**	529
Public Transit	748	900	684	**855**	1,180
Telephone	312	279	258	**286**	263
Total Living Costs	11,519	12,563	8,113	**8,380**	12,772
Total Personal Costs and Taxes	13,398	14,292	10,334	**10,273**	14,620

Single Parent One Child: $30,000	BC	AB	SK	**MB**	ON
Provincial Income Tax	54	0	701	**8**	(225)
Health Premiums	691	0	0	**0**	252
Subtotal PIT and Premiums	746	0	701	**8**	27
Family/Employment Tax Credits	0	(581)	0	**0**	0
Child Benefits	0	0	0	**0**	(1,238)
Retail Sales Tax	534	0	274	**388**	539
Carbon Tax Credit	(200)	0	0	**0**	0
Total Provincial Levies, PIT, Credits and Premiums	1,080	(581)	975	**396**	(671)
Rent	13,008	13,068	7,932	**8,880**	12,732
Child Care	7,446	7,435	4,944	**4,888**	10,392
Electricity	410	827	696	**404**	705
Transit	748	900	684	**855**	1,180
Telephone	312	279	258	**286**	263
Total Living Costs	21,924	22,508	14,515	**15,313**	25,272
Total Personal Costs and Taxes	23,004	21,927	15,490	**15,709**	24,601

Sums may not add due to rounding.

QC	NB	NS	PE	NL	**Single Person: $30,000**
1,110	2,001	1,822	2,005	1,792	Provincial Income Tax
538	0	0	0	0	Health Premiums
1,648	2,001	1,822	2,005	1,792	Subtotal PIT and Premiums
189	559	603	396	364	Retail Sales Tax
0	0	0	0	0	Carbon Tax Credit
1,837	2,560	2,424	2,402	2,156	Total Provincial Levies, PIT, Credits and Premiums
6,972	7,032	7,908	6,288	6,540	Rent
319	507	546	629	499	Electricity
795	780	720	816	780	Public Transit
263	266	303	296	254	Telephone
8,350	8,586	9,477	8,029	8,073	Total Living Costs
10,187	11,146	11,901	10,431	10,230	Total Personal Costs and Taxes

QC	NB	NS	PE	NL	**Single Parent One Child: $30,000**
1,591	243	570	972	800	Provincial Income Tax
538	0	0	0	0	Health Premiums
2,129	243	570	972	800	Subtotal PIT and Premiums
0	0	0	0	0	Family/Employment Tax Credits
(2,857)	(116)	0	0	0	Child Benefits
362	727	783	515	473	Retail Sales Tax
0	0	0	0	0	Carbon Tax Credit
(366)	855	1,353	1,487	1,273	Total Provincial Levies, PIT, Credits and Premiums
7,764	8,412	9,780	7,908	7,368	Rent
1,820	5,823	7,636	5,200	6,422	Child Care
426	676	728	839	666	Electricity
795	780	720	816	780	Transit
263	266	303	296	254	Telephone
11,068	15,958	19,167	15,059	15,489	Total Living Costs
10,702	16,812	20,520	16,546	16,763	Total Personal Costs and Taxes

2008 Comparison of Annual Personal Costs and Taxes

One-Earner Family of 4: $40,000	BC	AB	SK	**MB**	ON
Provincial Income Tax	1,159	638	1,593	**1,912**	983
Health Premiums	1,296	1,056	0	**0**	450
Subtotal PIT and Premiums	2,455	1,694	1,593	**1,912**	1,433
Family/Employment Tax Credits	0	(1,109)	0	**0**	0
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(570)	0	(131)	**(600)**	(52)
Retail Sales Tax	955	0	572	**694**	1,126
Gasoline Tax	434	180	300	**230**	294
Carbon Tax Credit	(136)	0	0	**0**	0
Total Provincial Levies, PIT, Credits and Premiums	3,139	765	2,334	**2,235**	2,802
Mortgage Costs	25,325	17,853	10,086	**9,326**	17,602
Property Taxes	2,162	1,812	2,713	**2,529**	3,104
Home Heating	1,453	1,166	1,206	**1,427**	1,488
Electricity	554	1,116	940	**545**	952
Auto Insurance	1,389	1,360	881	**1,027**	3,043
Telephone	312	279	258	**286**	263
Total Living Costs	31,195	23,586	16,085	**15,140**	26,453
Total Personal Costs and Taxes	34,334	24,351	18,418	**17,376**	29,254

One-Earner Family of 4: $60,000	BC	AB	SK	**MB**	ON
Provincial Income Tax	2,812	2,612	4,164	**4,647**	3,263
Health Premiums	1,296	1,056	0	**0**	600
Subtotal PIT and Premiums	4,108	3,668	4,164	**4,647**	3,863
Family/Employment Tax Credits	0	(826)	0	**0**	0
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(570)	0	(131)	**(600)**	0
Retail Sales Tax	1,446	0	896	**1,155**	1,642
Gasoline Tax	434	180	300	**230**	294
Total Provincial Levies, PIT, Credits and Premiums	5,418	3,022	5,229	**5,433**	5,800
Mortgage Costs	25,325	17,853	10,086	**9,326**	17,602
Property Taxes	2,162	1,812	2,713	**2,529**	3,104
Home Heating	1,453	1,166	1,206	**1,427**	1,488
Electricity	554	1,116	940	**545**	952
Auto Insurance	1,389	1,360	881	**1,027**	3,043
Telephone	312	279	258	**286**	263
Total Living Costs	31,195	23,586	16,085	**15,140**	26,453
Total Personal Costs and Taxes	36,613	26,608	21,314	**20,573**	32,252

Sums may not add due to rounding.

QC	NB	NS	PE	NL	**One-Earner Family of 4: $40,000**
2,034	2,550	2,729	2,652	2,616	Provincial Income Tax
1,076	0	0	0	0	Health Premiums
3,110	2,550	2,729	2,652	2,616	Subtotal PIT and Premiums
0	0	0	0	0	Family/Employment Tax Credits
(3,174)	0	0	0	0	Child Benefits
(287)	0	0	0	0	Property Tax Credits
1,234	1,447	1,588	991	1,026	Retail Sales Tax
304	214	310	316	330	Gasoline Tax
0	0	0	0	0	Carbon Tax Credit
1,187	4,211	4,627	3,959	3,972	Total Provincial Levies, PIT, Credits and Premiums
10,649	6,821	8,119	6,689	6,938	Mortgage Costs
2,984	2,165	2,152	2,237	1,540	Property Taxes
1,827	1,961	1,723	2,282	2,318	Home Heating
575	913	983	1,132	899	Electricity
860	1,355	907	893	1,326	Auto Insurance
263	266	303	296	254	Telephone
17,159	13,481	14,187	13,529	13,275	Total Living Costs
18,346	17,693	18,814	17,488	17,247	Total Personal Costs and Taxes

QC	NB	NS	PE	NL	**One-Earner Family of 4: $60,000**
5,313	5,620	5,710	5,386	5,353	Provincial Income Tax
1,076	0	0	0	0	Health Premiums
6,389	5,620	5,710	5,386	5,353	Subtotal PIT and Premiums
0	0	0	0	0	Family/Employment Tax Credits
(2,560)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,741	3,335	2,116	1,504	1,359	Retail Sales Tax
304	214	310	316	330	Gasoline Tax
5,874	9,168	8,135	7,206	7,043	Total Provincial Levies, PIT, Credits and Premiums
10,649	6,821	8,119	6,689	6,938	Mortgage Costs
2,984	2,165	2,152	2,237	1,540	Property Taxes
1,827	1,961	1,723	2,282	2,318	Home Heating
575	913	983	1,132	899	Electricity
860	1,355	907	893	1,326	Auto Insurance
263	266	303	296	254	Telephone
17,159	13,481	14,187	13,529	13,275	Total Living Costs
23,033	22,650	22,322	20,736	20,318	Total Personal Costs and Taxes

2008 Comparison of Annual Personal Costs and Taxes

Two-Earner Family of 4: $60,000	BC	AB	SK	**MB**	ON
Provincial Income Tax	1,315	1,761	2,776	**3,221**	1,152
Health Premiums	1,296	1,056	0	**0**	300
Subtotal PIT and Premiums	2,611	2,817	2,776	**3,221**	1,452
Family/Employment Tax Credits	0	(1,109)	0	**0**	0
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(570)	0	(131)	**(600)**	0
Retail Sales Tax	1,446	0	896	**1,155**	1,642
Gasoline Tax	651	270	450	**345**	441
Total Provincial Levies, PIT, Credits and Premiums	4,138	1,978	3,991	**4,121**	3,535
Mortgage Costs	25,325	17,853	10,086	**9,326**	17,602
Property Taxes	2,162	1,812	2,713	**2,529**	3,104
Child Care	12,543	11,013	8,825	**7,545**	15,752
Home Heating	1,453	1,166	1,206	**1,427**	1,488
Electricity	554	1,116	940	**545**	952
Auto Insurance	2,767	2,620	1,663	**1,983**	5,746
Telephone	312	279	258	**286**	263
Total Living Costs	45,116	35,859	25,692	**23,641**	44,908
Total Personal Costs and Taxes	49,254	37,836	29,683	**27,762**	48,443

Two-Earner Family of 5: $75,000	BC	AB	SK	**MB**	ON
Provincial Income Tax	2,005	2,608	3,780	**4,330**	1,993
Health Premiums	1,296	1,056	0	**0**	450
Subtotal PIT and Premiums	3,301	3,664	3,780	**4,330**	2,443
Family/Employment Tax Credits	0	(1,309)	0	**0**	0
Child Benefits	0	0	0	**0**	0
Property Tax Credits	(570)	0	(199)	**(600)**	0
Retail Sales Tax	1,901	0	1,172	**1,622**	1,925
Gasoline Tax	651	270	450	**345**	441
Total Provincial Levies, PIT, Credits and Premiums	5,284	2,625	5,203	**5,696**	4,809
Mortgage Costs	30,540	24,775	15,336	**13,928**	23,103
Property Taxes	2,607	2,515	4,125	**3,777**	4,074
Child Care	19,024	18,725	13,865	**12,433**	26,144
Home Heating	2,422	1,943	2,010	**2,378**	2,480
Electricity	923	1,860	1,567	**908**	1,587
Auto Insurance	2,767	2,620	1,663	**1,983**	5,746
Telephone	312	279	258	**286**	263
Total Living Costs	58,595	52,717	38,825	**35,694**	63,398
Total Personal Costs and Taxes	63,879	55,342	44,027	**41,390**	68,207

Sums may not add due to rounding.

QC	NB	NS	PE	NL	**Two-Earner Family of 4: $60,000**
4,683	3,270	3,126	3,555	3,416	Provincial Income Tax
1,076	0	0	0	0	Health Premiums
5,759	3,270	3,126	3,555	3,416	Subtotal PIT and Premiums
0	0	0	0	0	Family/Employment Tax Credits
(2,600)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
1,741	3,335	2,116	1,504	1,359	Retail Sales Tax
456	321	465	474	495	Gasoline Tax
5,356	6,925	5,707	5,534	5,270	Total Provincial Levies, PIT, Credits and Premiums
10,649	6,821	8,119	6,689	6,938	Mortgage Costs
2,984	2,165	2,152	2,237	1,540	Property Taxes
3,507	9,057	13,592	7,479	10,897	Child Care
1,827	1,961	1,723	2,282	2,318	Home Heating
575	913	983	1,132	899	Electricity
1,700	2,433	1,739	1,725	2,646	Auto Insurance
263	266	303	296	254	Telephone
21,506	23,616	28,611	21,840	25,492	Total Living Costs
26,862	30,541	34,318	27,373	30,762	Total Personal Costs and Taxes

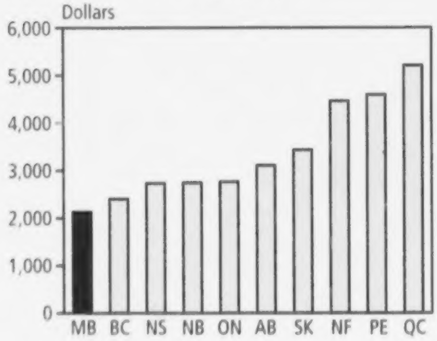
QC	NB	NS	PE	NL	**Two-Earner Family of 5: $75,000**
7,168	4,706	4,408	4,902	4,769	Provincial Income Tax
1,076	0	0	0	0	Health Premiums
8,244	4,706	4,408	4,902	4,769	Subtotal PIT and Premiums
0	0	0	0	0	Family/Employment Tax Credits
(3,058)	0	0	0	0	Child Benefits
0	0	0	0	0	Property Tax Credits
2,294	3,335	2,744	1,885	1,889	Retail Sales Tax
456	321	465	474	495	Gasoline Tax
7,935	8,362	7,617	7,261	7,153	Total Provincial Levies, PIT, Credits and Premiums
17,316	13,642	10,649	10,033	11,002	Mortgage Costs
4,852	3,616	3,380	3,356	2,442	Property Taxes
5,327	14,897	21,228	12,679	17,743	Child Care
3,045	3,268	2,872	3,803	3,863	Home Heating
958	1,522	1,638	1,887	1,498	Electricity
1,700	2,433	1,739	1,725	2,646	Auto Insurance
263	266	303	296	254	Telephone
33,462	39,644	41,809	33,779	39,448	Total Living Costs
41,397	48,006	49,426	41,040	46,601	Total Personal Costs and Taxes

Interprovincial Comparison of Taxes Net of Graduate Credits and Tuition Rebates and of Personal Costs and Taxes

Single Person: $50,000	BC	AB	SK	MB	ON
Provincial Income Tax	2,404	3,108	4,430	**4,633**	2,766
Graduate Tuition/Credit Rebate	0	0	(1,000)	**(2,500)**	0
Health Premiums	648	528	0	**0**	600
Subtotal PIT and Premiums	3,052	3,636	3,430	**2,133**	3,366
Property Tax Credits	(570)	0	(131)	**(600)**	0
Retail Sales Tax	600	0	367	**462**	692
Gasoline Tax	434	180	300	**230**	294
Total Provincial Levies, PIT, Credits and Premiums	3,517	3,816	3,966	**2,226**	4,352
Mortgage Costs	25,325	17,853	10,086	**9,326**	17,602
Property Taxes	2,162	1,812	2,713	**2,529**	3,104
Home Heating	1,453	1,166	1,206	**1,427**	1,488
Electricity	554	1,116	940	**545**	952
Auto Insurance	2,778	2,720	1,762	**2,054**	6,086
Telephone	312	279	258	**286**	263
Total Living Costs	32,584	24,946	16,966	**16,167**	29,496
Total Personal Costs and Taxes	36,101	28,762	20,931	**18,393**	33,848

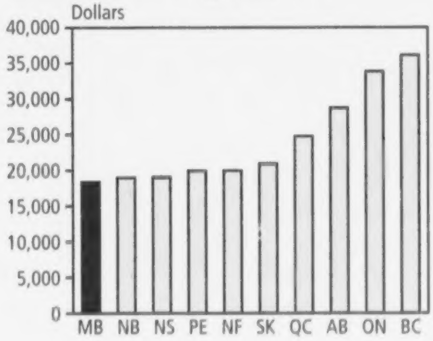
Sums may not add due to rounding.

Net Taxes - Graduate Earning $50,000



Source: Manitoba Finance

Personal Costs and Net Taxes - Graduate Earning $50,000



Source: Manitoba Finance

Single Person: $50,000

QC	NB	NS	PE	NL	
5,206	4,744	4,730	4,594	4,461	Provincial Income Tax
0	(2,000)	(2,000)	0	0	Graduate Tuiition/Credit Rebate
538	0	0	0	0	Health Premiums
5,744	2,744	2,730	4,594	4,461	Subtotal PIT and Premiums
0	0	0	0	0	Property Tax Credits
744	1,195	926	624	596	Retail Sales Tax
304	214	310	316	330	Gasoline Tax
6,792	4,153	3,966	5,534	5,387	Total Provincial Levies, PIT, Credits and Premiums
10,649	6,821	8,119	6,689	6,938	Mortgage Costs
2,984	2,165	2,152	2,237	1,540	Property Taxes
1,827	1,961	1,723	2,282	2,318	Home Heating
575	913	983	1,132	899	Electricity
1,720	2,710	1,814	1,786	2,652	Auto Insurance
263	266	303	296	254	Telephone
18,019	14,836	15,094	14,422	14,601	Total Living Costs
24,811	18,990	19,060	19,956	19,988	Total Personal Costs and Taxes

NOTES

Personal income taxes[1], charges and living costs are based on information available on March 31, 2008, for the following major urban centres in each province: Vancouver, Calgary, Regina, Winnipeg, Toronto, Montréal, Fredericton, Halifax, Charlottetown and St. John's. The methods used to calculate Mortgage Costs, Property Taxes, Retail Sales Tax, Home Heating and Electricity have changed from prior years' methods. As a result, these costs and taxes are not comparable to other years.

Auto Insurance coverage includes $2 million Third Party Liability, a $500 All Perils Deductible, accident benefit and $2 million Standard Policy Form #44 family protection coverage for those jurisdictions without no-fault injury coverage, and SAAQ (La Societé de l'assurance automobile du Québec) injury protection in Montréal. The driver is married, age 35, has been accident- and conviction-free for 15 or more years; the auto is driven to work (a distance of 15 km one way was used when required by insurers). Rates were provided by The Insurance Corporation of British Columbia (BC), SGI Canada (SK), and Manitoba Public Insurance (MB) for those provinces. Rates from other urban centres are the average of the quotes from 10 private insurers available in those provinces. Discounts for second or multiple vehicles are not included in the auto insurance calculations. Auto insurance for the 2002 Chevrolet Cavalier and the 2000 Dodge Caravan are used in these examples. The single earner families of four at $40,000 and $60,000 insure the Cavalier, while the two-earner family of four at $60,000 and the two-earner family of five at $75,000 insure both the Cavalier and the Caravan.

Child Care is based on average fees for full-time preschool care for a three year old and a five year old, before and after school care for a seven year old, and six weeks of summer day camp for a seven year old. Quebec figures are based on $7 per day for care. Average fees were based on *Early Childhood Care and Education in Canada: Provinces and Territories*, published by Childcare Resource and Research Unit, and were updated by a survey by Manitoba Finance of different cities.

Electricity charges are based on an annual consumption of 8,100 kWh for a detached bungalow for families with $40,000 and $60,000 of income, as per the *2007 Basic Utility Bundle Review* (Crown Investments Corporation of Saskatchewan). Annual consumption for the detached bungalow has been proportionally adjusted for the other families: 4,500 kWh for the single person at $30,000; 6,000 kWh for the single parent at $30,000; and 13,500 kWh for the family at $75,000. Rates do not include municipal taxes or charges.

Gasoline Tax is based on annual consumption of 2,000 litres for the single-vehicle families and 3,000 litres for the two-vehicle families; this includes the 6 cents and 1.5 cents per litre levies applied by Vancouver and Montréal, respectively. Provincial sales tax has been applied to the wholesale price in Prince Edward Island and the BC Carbon Tax, which comes into effect July 1, 2008, has been included in the amount for Vancouver.

Health Premiums are annual premiums for hospital insurance and medical services in provinces which levy them. Quebec's Prescription Drug Plan is included.

Home Heating charges are based on an annual consumption of 3,200 cubic metres for a detached bungalow for families with $40,000 and $60,000 of income, as per the *2007 Basic Utility Bundle Review* (Crown Investments Corporation of Saskatchewan). Annual consumption for the detached bungalow has been proportionally adjusted for a family with $75,000 of income to reflect the consumption for an executive detached two storey. For the Atlantic provinces, the figures represent the BTU equivalent consumption of fuel oil. Refundable home-heating benefits have been deducted from home-heating costs in Alberta, Nova Scotia, and Newfoundland and Labrador.

Mortgage Costs are based on one-half the average home prices for a detached bungalow for families with $40,000 and $60,000 of income, and for the graduate with $50,000, and on an executive detached two storey for a family with $75,000 of income, per the Royal LePage *Survey of Canadian House Prices, Fourth Quarter 2007*, assuming a 25-year term, amortized at a five-year interest rate of 7.283%.

Net Child Benefits represent provincial programs comparable to the Canada Child Tax Benefit for families with children. Provincial child benefit measures are available in British Columbia (BC Family Bonus), Alberta (Family Employment Credit), Ontario (Child Care Supplement for Working Families), Quebec (Child Assistance Payments), New Brunswick (Child Tax Benefit), Nova Scotia (Child Benefit), and Newfoundland and Labrador (Child Benefit).

Property Taxes are based on the assessed values for a detached bungalow for families with $40,000 and $60,000 of income, as per the *2007 Residential Property Taxes and Utility Charges Survey* (City of Edmonton). Property taxes for the detached bungalow have been proportionally adjusted for a family with $75,000 of income to reflect the taxes paid for an executive detached two storey.

Provincial Income Tax is calculated for a single renter with $30,000 earned income, a single parent with one child who rents and has $30,000 in earned income[2], and three homeowners with $40,000, $60,000 and $75,000 of earned income[2], respectively. Families include one income earner, a spouse and two dependent children (ages 3 and 7), two income earners and two dependent children (ages 3 and 7), or two income earners and three dependent children (ages 3, 5 and 7). For two-earner families, one spouse is assumed to earn 60% of the family income while the other spouse earns 40%. Personal non-refundable credits used include the CPP/QPP and EI contribution credits. For the single parent, child-care costs unique to each province have been deducted from income. For two-earner families, child-care costs have been deducted from the income of the spouse with the lower income. Gross Quebec personal income tax has been reduced by the 16.5% abatement from federal income tax. Refundable sales tax credits and provincial tax reductions and rebates have been deducted from income tax payable. Rental credits are included in income tax, but property tax credits are shown separately.

Rent is from Canada Mortgage and Housing Corporation's *Rental Market Survey, October 2007*, and is based on the average one-bedroom apartment rent for each urban centre for the single person, and the average two-bedroom apartment rent for the single-parent family.

Retail Sales Tax is based upon an average expenditure basket at the selected gross income levels from the *2006 Survey of Household Spending* (Statistics Canada), inflated to 2008 values and adjusted for family size.

Transit Fares are based on adult (single zone) monthly pass rates in effect in February 2008. The Charlottetown fare is based on adult tickets for 240 working days. The full impact of the federal non-refundable public transit tax credit has reduced the cost of transit fees shown for the single individual and single parent with one child examples.

Telephone charges are the basic service rates for individual residences.

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[1] Tables reflect 2008 budget changes for British Columbia, Saskatchewan, Ontario, Quebec and New Brunswick, as well as the federal budget.

[2] Earned income is net of the Universal Child Care Benefit. However, the Universal Child Care Benefit has been used in the calculation of taxable income.

Appendix 2:
MANITOBA'S COMPETITIVE ENVIRONMENT FOR MANUFACTURING

In 2007, manufacturing firms in Manitoba employed 70,000 people, the highest level of manufacturing employment ever recorded in the province. Manufacturing jobs equal about 12% of Manitoba's total employment, and only in Quebec and Ontario do manufacturing jobs account for a greater proportion of workers (about 14%). Many more Manitobans work in other industries that directly or indirectly depend on manufacturing activities.

Manufacturing is the largest economic sector in the province, accounting for approximately 12% of provincial GDP, about 70% of total foreign merchandise exports and 71% of Manitoba's merchandise exports to the United States.

Manitoba's manufacturing sales grew over 8% in 2007, second strongest among provinces and well above the national increase of only 0.3%. Manitoba's manufacturing sales have equalled or bettered Canada's growth for seven consecutive years.

Manitoba's manufacturing sector is highly diversified, producing a broad range of industrial and consumer goods. Major manufactured goods include urban and intercity buses, aerospace equipment, primary metals, industrial chemicals, machinery, pharmaceuticals, processed meats, processed vegetables and grain products, furniture, plastic products, manufactured windows and fabricated metals. Manitoba is North America's largest manufacturer of buses. Canada's largest furniture factory, owned by Palliser Furniture Ltd., is located in Manitoba. Maple Leaf Foods operates one of the world's largest and most technologically advanced meat processing plants in Brandon, Manitoba's second-largest city.

Manitoba's competitive business environment continues to attract manufacturing investment. Manufacturers are taking advantage of the province's central location and its excellent transportation links to the rest of North America. Industrial and commercial land costs are lower than in many other major metropolitan centres, and Manitoba's electricity costs are among the lowest in North America. Manitoba has a skilled and well-educated work force ready to take advantage of the opportunities provided by the province's growing manufacturing sector.

Manitoba Finance's competitiveness model is used to compare the tax structure and cost environment for representative small and larger manufacturing firms. The model is used to assess Manitoba's competitive position relative to several other North American cities.

The model simulates start-up costs, operating costs, and financial and taxation profiles over a period of 20 years. It incorporates future changes in taxes that have been announced by the federal and provincial or state governments as of April 1, 2008. Manitoba measures that have been announced but are subject to budget balancing requirements have not been incorporated in the model. The representative firms' profiles have been updated using the most recent data available from Statistics Canada, local economic development boards and other public information sources.

Interjurisdiction Competitiveness

The following indicators are used to assess cost and tax competitiveness for both a small and a larger manufacturing firm over a 20-year period:

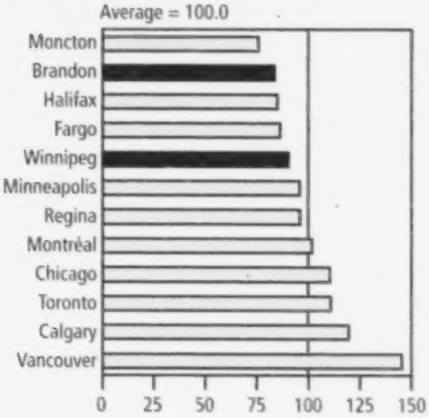
- net cost of investment, or start-up costs (including applicable taxes)
- pre-tax net income
- effective tax rates
- internal rates of return

The model assumes actual costs for each city and calculates net revenue and cash flow, including start-up costs, based on the operating costs in each location. The results for each city are compared to the overall average of all cities for each of the indicators and presented in the charts that follow.

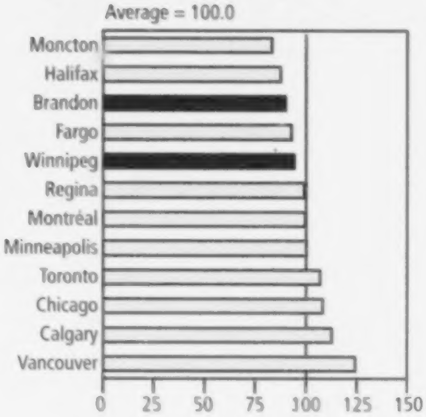
Net Cost of Investment

The costs of starting a manufacturing plant (land, buildings, and machinery and equipment) are lower in Manitoba than the average for all cities. Taxes have a negligible impact on net start-up costs. Investment tax credits on capital asset purchases reduce the net cost of investment. The net cost of investment for larger metropolitan centres tends to be higher than the overall average, primarily because of the cost of land and construction labour costs. Construction wages in Manitoba cities have increased at a higher rate than the average, but investment tax credits on capital assets have mitigated the increased construction costs.

Net Cost of Investment Small Manufacturing Firm



Net Cost of Investment Larger Manufacturing Firm



Pre-Tax Net Income

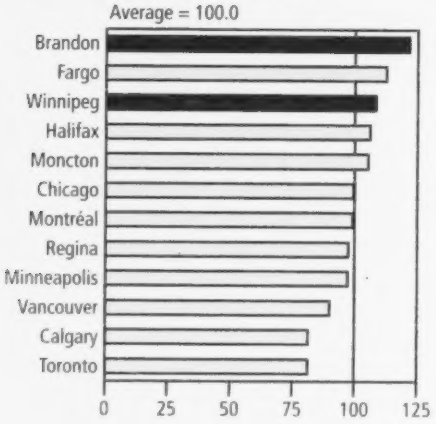
The model calculates pre-tax net income by subtracting from a common level of revenue the following location-sensitive operating costs:

- average manufacturing wages
- local utility charges (electricity and telephone)
- interest costs
- capital depreciation

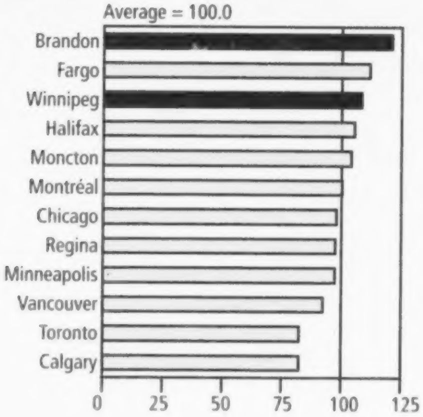
Pre-tax net income is used to compare Manitoba's cost competitiveness to the other locations. A higher pre-tax income indicates lower operating costs in a given jurisdiction. The sales figures used in the simulation model are fixed across the cities, $4 million for the small firm and $45 million for the larger firm, for years five through 20. Production material costs are expressed as a percentage of sales and are also fixed across jurisdictions.

Brandon yields the highest pre-tax net income for both the small and larger manufacturing firms, while Winnipeg has the third-highest pre-tax net income for both model firms. A talented, well-educated and productive labour force, low utility costs and lower than average start-up costs contribute to the cost advantages of operating a manufacturing plant in Manitoba.

Pre-Tax Net Income
Small Manufacturing Firm



Pre-Tax Net Income
Larger Manufacturing Firm



Effective Tax Rates

Effective tax rates are generated by computing gross taxes as a proportion of pre-tax net income over the 20-year period. The following operating taxes are included in the analysis:

- corporation income taxes
- local property and business taxes
- corporation capital and U.S. franchise taxes
- payroll taxes
- workers' compensation premiums
- statutory pension and unemployment insurance premiums
- employer-paid health premiums

The following tax expenditures that benefit the manufacturing sector are also taken into account:

- investment tax credits
- tax holidays
- accelerated capital cost allowances
- preferential tax rates

Not included in the model are enterprise zones, grants, and other forms of governmental and third-party financial assistance programs.

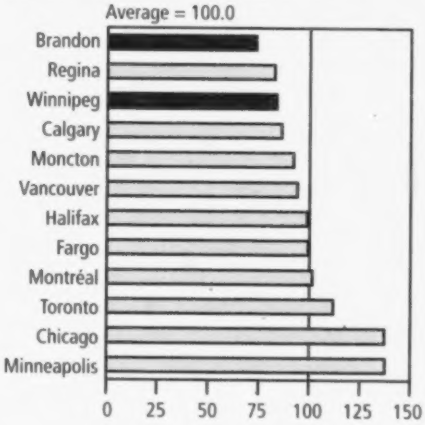
For both the small and larger manufacturing firms, Winnipeg's effective tax rates are lower than both the overall average and the Canadian city average, and Brandon has the lowest effective tax rate. This is consistent with calculations on marginal effective tax rates (METRs) by the C.D. Howe Institute and Finance Canada, which both show that Manitoba has the lowest METR for manufacturing west of New Brunswick. The METR is lower in the Atlantic region because of the federal investment tax credit, which is available only in that region. These studies do not take into account the elimination of capital tax and reductions in Corporation Income Tax rates announced in the 2008 Manitoba Budget.

Overall Competitiveness

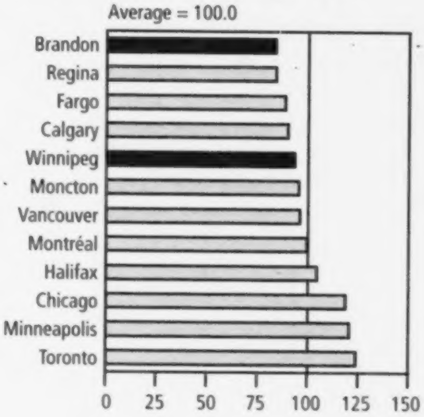
Overall competitiveness is compared by calculating internal rates of return. The internal rate of return is commonly used for business investment and location decision making. The model calculates the internal rate of return for each city using start-up costs and cash flow over the 20-year period, discounted using commercial interest rates specific to a small and a larger manufacturing firm. The following charts illustrate the combined effect of taxes and costs on the internal rates of return for the representative small and larger manufacturing firms in the selected jurisdictions.

The internal rates of return for both Winnipeg and Brandon are above the overall average of the cities included in the study. Brandon has the highest internal rate of return and Winnipeg has the third-highest internal rate of return for both the small and larger manufacturing firms. Among cities with populations over 500,000, Winnipeg has the highest internal rate of return for both small and larger manufacturing firms.

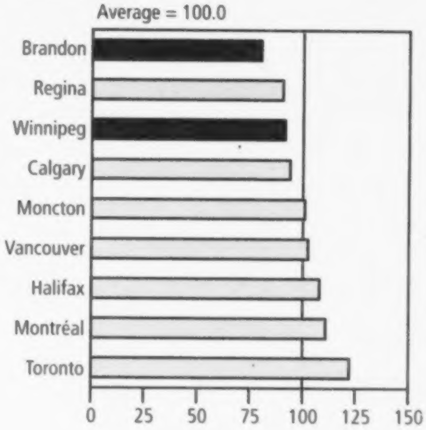
Effective Tax Rates
Small Manufacturing Firm



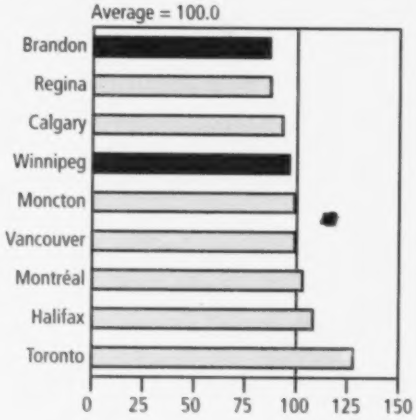
Effective Tax Rates
Larger Manufacturing Firm



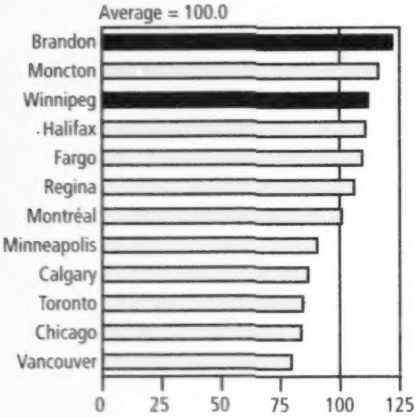
Effective Tax Rates
Small Manufacturing Firm
Canadian Cities



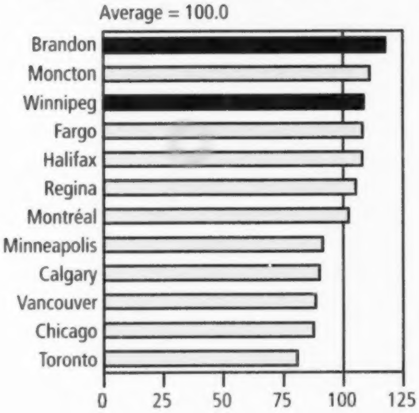
Effective Tax Rates
Larger Manufacturing Firm
Canadian Cities



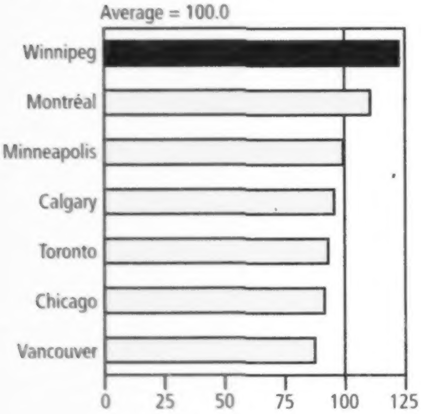
Internal Rates of Return Small Manufacturing Firm



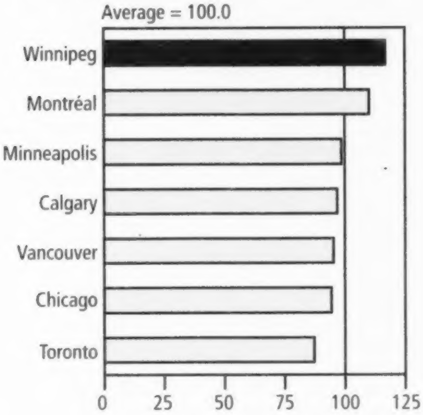
Internal Rates of Return Larger Manufacturing Firm



Internal Rates of Return Small Manufacturing Firm in Cities over 500,000



Internal Rates of Return Larger Manufacturing Firm in Cities over 500,000



CONCLUSION

Manitoba continues to maintain a highly competitive cost and taxation environment for both small and larger firms engaged in manufacturing and processing.

Budget Paper E

FROM RESEARCH TO INNOVATION

Manitoba

FROM RESEARCH TO INNOVATION

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INTRODUCTION

In the face of rising technical competence and competition around the world, innovation is the primary factor that will determine Manitoba's ability to grow and prosper. Specifically, the capacity of Manitoba to commercialize new technology, and use it to drive continuous improvements in productivity, will be the key to achieving sustained economic growth and a rising standard of living into the future.

Canada has a strong record of capital investment and economic growth, and a first-rate educational system. However, with respect to innovation capacity and technological readiness, recent international surveys rank Canada behind large-market competitors such as the U.S., Japan and Germany, as well as smaller countries like Sweden, Finland and Denmark.

Prompted by these comparisons, a delegation led by the Business Council of Manitoba, and including education and government leaders, traveled to Scandinavia in Spring 2007 to examine the "Nordic Model" of innovation. The visit confirmed the findings from recent studies on innovative economies which stress the following critical elements:

- actions that support a skilled workforce, higher education and lifelong learning;
- measures that encourage greater investment in innovation;
- a flexible and integrated innovation system that links local research institutions to local technology development and commercialization;
- a business environment that encourages innovation and investment in innovative ventures; and
- a commitment to a culture of innovation.

While many of these elements are in place in Manitoba, in 2003, the Government of Manitoba looked at the state of innovation in the province, took stock of its innovation assets and reviewed challenges and opportunities. The result of this effort was the *Manitoba Innovation Framework*, which identified key actions to enhance the innovative capacity of the economy and foster an environment that would support sustainable economic growth and job creation, and improve the overall quality of life for Manitobans.

Also in 2003, the Government of Manitoba released the *Action Strategy for Economic Growth*, which was underpinned by recommendations made by the Premier's Economic Advisory Council (PEAC). PEAC emphasized the importance of investments in research and innovation – investments that enable productivity increases, resource conservation and a higher standard of living.

> **"The Manitoba economy will fire on all cylinders again this year. After an estimated 3.7 per cent gain in 2007, the province will keep up the same robust pace of growth in 2008, outpacing all other provinces."**
>
> **The Conference Board of Canada**
> **Provincial Outlook**
> **Winter 2008**

The initiatives taken under the *Manitoba Innovation Framework* and *Action Strategy for Economic Growth* are paying off: Manitoba's labour productivity growth continues to be among the strongest in Canada and the Conference Board of Canada has recently projected that Manitoba's economic growth, at 3.7%, will lead all other provinces in 2008.

Innovative high-tech sectors such as alternative energy, digital media, information and communications technologies, and life sciences represent opportunities for tremendous growth in Manitoba.

One of the important elements of The Conference Board's analysis is the projection that output growth in Manitoba's manufacturing sector will lead all provinces over the next two years, with growth rates of 5.4% (2008) and 5.7% (2009). While manufacturers continue to be challenged by the rise in the Canadian dollar, companies in Manitoba's aerospace, bus manufacturing and agricultural machinery sectors continue to make impressive gains in efficiency, production and export sales. The success of this sector follows on a multi-year commitment to lean manufacturing techniques, and investments in research and product development initiatives such as the Composites Innovation Centre.

Manitoba is also home to growing innovative industry sectors such as alternative energy, digital media, information and communications technologies, and life sciences. These areas represent opportunities for tremendous growth, based on innovative local companies, world-class research, and skilled workforces.

While substantial progress has been made in many areas related to the *Manitoba Innovation Framework* and *Action Strategy for Economic Growth*, the time is right for a renewed focus on innovation activities in the province. Industry and business groups have recommended that the province place a greater emphasis on collaboration and innovation focusing energies in the areas of technology commercialization and high-tech business development. Specific advice from the Business Council of Manitoba urges the government to establish an Innovation Council which will collaborate with education and research institutions and the private sector to develop an innovation strategy that strengthens the link between research and its commercialization.

The time is right for a renewed focus on collaboration, innovation and commercialization of technology.

The Government of Manitoba will act on this advice and appoint a Manitoba Innovation Council whose task will be to guide the development of an integrated approach to innovation and technology commercialization in the province. This approach will strengthen collaboration between industry, entrepreneurs and researchers to create a stronger culture of innovation in Manitoba. The council will also advise the government and other stakeholders on the implementation of a capital markets strategy that supports innovative companies at all stages of development.

BUILDING AN INNOVATIVE ECONOMY: PROGRESS TO DATE

The 2003 *Manitoba Innovation Framework* identified a six-point action plan that focused on the key drivers of innovative economies. Highlights of progress to date against the action plan are outlined below.

The Manitoba Innovation Framework - Action Plan

1. Skilled workforce development
2. Investments in research
3. Technology commercialization
4. Community innovation
5. Competitive business environment
6. Innovative government

Skilled Workforce Development

Well-educated and skilled people are critical to innovation. Moreover, in a knowledge-based economy, firms are attracted to regions that have a sufficient supply of highly skilled individuals.

There are three important considerations in this regard for Manitoba:

- the growing importance of Manitoba's Aboriginal people in addressing skills shortages and the need to ensure that appropriate education and training are made available to support their increased participation in the labour force;
- the ability of the province to retain its students as they graduate, as well as retain the existing pool of skilled workers; and
- the need to attract new highly skilled personnel into the economy, often by way of immigration.

Skilled workforce development is a prominent factor in both the *Action Strategy for Economic Growth* and the *Manitoba Innovation Framework*. Significant progress has been made over the past five years on a number of fronts that will continue to strengthen Manitoba's people advantage.

Affordable and Accessible Education

- reducing post-secondary tuition fees by 10% in 2000, a move that has helped to support significant enrolment increases for universities and colleges;
- providing fully offsetting revenue to universities and colleges to compensate for the tuition reduction – more than $109 million since 2000 (including 2008/09);
- funding over 80 new and expanded programs through the College Expansion Initiative to address skills shortages in key growth sectors;
- increasing support to ACCESS programs to enhance accessibility and successful completion of post-secondary education for under-represented groups; and

- exceeding the $60 million three-year funding commitment for post-secondary education in 2006 – the largest commitment of its kind in Manitoba's history.

Well-educated and skilled people are critical to the performance of Manitoba's innovation system.

Attraction and Retention of Skilled Workers

- creating the new Tuition Fee Income Tax Rebate which provides a 60% tuition rebate for all post-secondary graduates from anywhere in the world who live and work in the province;
- providing $2 million for Manitoba Graduate Scholarships;
- doubling funding to $16 million over three years for the Manitoba Bursary Program;
- introducing the Co-operative Education Tax Credit to help employers recruit qualified students in participating university and college co-op education programs for on-the-job training;
- introducing the Co-op Graduates Hiring Incentive to support employers who hire recent graduates of co-op education programs;
- introducing the Journeyperson Hiring Incentive to support employers who hire certified journeypersons who have recently graduated from an apprenticeship program; and
- building effective partnerships with employers, post-secondary institutions, government and self-regulatory bodies to improve qualifications recognition for skilled immigrants who come to Manitoba.

New Post-Secondary Infrastructure

- supporting $470 million in post-secondary capital projects since 1999;
- providing the University of Manitoba with $110 million in capital;
- committing up to $25 million to the University of Winnipeg for its capital campaign and the new Richardson College for the Environment;
- working with the City of Brandon to relocate Assiniboine Community College to its new home on the North Hill;
- committing an additional $45 million for the University College of the North for capital improvements at The Pas and Thompson, and new regional centres; and
- funding capital improvements at Brandon University and Collège universitaire de Saint-Boniface.

Training and Apprenticeship Programs

- responding to the needs of Manitoba businesses by committing to add 4,000 new apprenticeship spaces;
- creating the Apprenticeship Futures Commission, which has recently provided the Province with its consensus report on modernizing and expanding Manitoba's apprenticeship system to better meet the needs of the province's growing labour market;
- expanding the industry sector councils, which delivered training to over 12,000 new and existing workers in 2007, a 65% increase since 2000;
- initiating the Northern Manitoba Sector Council, an innovative, multi-industry partnership to promote and implement strategic labour market and training initiatives with businesses, communities and educational institutions in the North;
- supporting new credit transfer arrangements between colleges and universities;
- advancing Prior Learning Assessment and Recognition in educational institutions and in the workplace;
- committing more flexible funding to address training needs in key areas of the economy; and
- providing valuable training and work experience on major infrastructure projects, including the Red River Floodway Expansion and Hydro Northern Training Initiative.

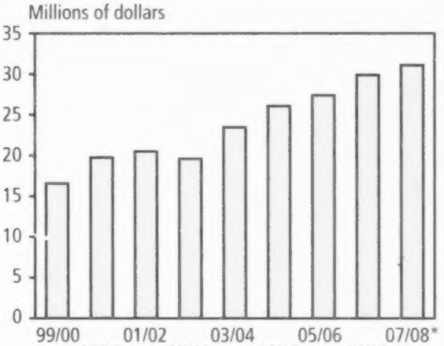
The Advanced Manufacturing Initiative (AMI)

- negotiating with the federal government the continuation of the AMI agreement, which will provide an additional $1.2 million in funding under the Canada-Manitoba Economic Partnership Agreement (EPA); with industry contributions, a total of $4 million will be invested in this phase of the AMI;
- the AMI was launched in 2005 with an EPA contribution of $1.85 million and $2 million from the manufacturing industry; and
- the AMI champions "lean" manufacturing concepts, delivering training in lean best practices, which helps Manitoba companies adopt innovative practices that remove waste and increase productivity in the workplace.

The Advanced Manufacturing Initiative *helps Manitoba companies adopt innovative practices that remove waste and increase productivity in the workplace.*

An innovative economy is built upon the foundation of a strong and well-performing research infrastructure.

Figure 1
Government of Manitoba R&D Expenditures



*Preliminary estimate

Sources: Statistics Canada and Manitoba Science, Technology, Energy and Mines

Investments in Research

An innovative economy is built upon the foundation of a strong and well-performing research infrastructure. Fundamental to this infrastructure is the presence of world-class research facilities at universities, public labs, research centres and hospitals. These facilities are not only places where research happens, but equally places of teaching and learning.

The most recent figures from Statistics Canada show that total R&D expenditures in Manitoba were $577 million in 2005. This was an increase of more than $63 million (12.3%) over 2004 and close to a $200 million increase since 1999. In addition to the Government of Manitoba, key funders of these expenditures include business enterprises, the federal government and higher education institutions.

R&D expenditures measured as a ratio relative to GDP provides a relevant means of comparison to other regions. In 2005, Manitoba's ratio of 1.4% placed Manitoba in the middle of Canadian provinces, behind leaders such as Quebec (2.6%) and Ontario (2.3%) but ahead of provinces such as Alberta, Saskatchewan, New Brunswick, and Newfoundland and Labrador. In comparison, leading international competitors boast ratios over 3%, such as Sweden (3.8%) and Finland (3.5%).

The 2003 *Manitoba Innovation Framework* identified two key commitments to enhance Manitoba's research infrastructure and capacity. First, the provincial government undertook to double its investments in research by 2010. Second, the *Manitoba Innovation Framework* sought to continue efforts to build Manitoba's research infrastructure, including a number of specific facilities.

As Figure 1 shows, the provincial government's investment in R&D has steadily increased during the current decade. In 2001/02, this investment was $20.5 million. Preliminary estimates for 2007/08 project total provincial government R&D expenditures of $31.1 million – an increase of over 50% since 2001/02. This trend shows significant progress toward the government's 2003 *Manitoba Innovation Framework* goal of doubling R&D expenditures.

The 2003 *Manitoba Innovation Framework* identified the need to continue building the province's research infrastructure in universities and colleges, hospitals, health research centres and public labs. From 2003 to 2007, the provincial government spent close to $45 million on R&D projects from its Manitoba Research and Innovation Fund alone; these projects included a number of facilities and labs.

The main research infrastructure investment commitment of the 2003 *Manitoba Innovation Framework* was met with the opening of the Richardson

Centre for Functional Foods and Nutraceuticals in 2006. In addition, investments have been made in a wide range of other fields, including: advanced materials, clinical research, social sciences, environmental sciences, proteomics and systems biology, structural engineering, surgical simulation and wireless networks, among many others.

Based on recommendations from the Manitoba Health Research Council's (MHRC) strategic plan, the Government of Manitoba increased the budget of the Council from $1.95 million to $5.1 million in 2007/08, and will provide a funding contribution of $6 million in 2008/09. With the increased funding, MHRC will be in a position to provide additional grants and awards to local researchers and trainees, enhancing its program complement.

In Manitoba, total federal funding for research was estimated at $157 million in 2005, about 3.0% of the national total. This level of funding is below Manitoba's share of the Canadian population, and the province continues to encourage the federal government to increase its level of research funding to Manitoba to correct this deficiency.

In a fast-paced global economy, the ability to bring new technologies to market quickly is often what determines a company's success.

Technology Commercialization

In a fast-paced global economy, the ability to bring new technologies to market quickly is often what determines a company's success. To assist the private sector in this regard, the provincial government has made significant investments in Manitoba's commercialization infrastructure in terms of both facilities and support for commercialization services and expertise. By 2005, the government met its 2003 *Manitoba Innovation Framework* goals to help establish two commercialization centres and create a new media development centre. Initiatives supported by provincial investments include:

The goal to help establish two commercialization centres and create a new media development centre in Manitoba has been realized.

- the **Composites Innovation Centre** facilitates new product development and helps close the gap between research and commercialization, especially in the areas of biomaterials, aerospace, ground transportation and civil infrastructure (2004);
- National Research Council's 40,000 sq. ft. **Centre for the Commercialization of Biomedical Technologies** houses **Biomedical Commercialization Canada,** a technology business incubator which provides technology management support and mentoring services to early stage technology firms located in the Centre (2005);
- **Fortune Cat Games Studio** provides an environment that houses up to three video game project teams of three to five people. Each team produces a company around a video game prototype that can be marketed to video game publishers (2006);

Manitoba has a competitive business environment that promotes innovation and economic growth.

- **TRLabs** supports the commercialization of innovative technologies in the areas of data networking and eHealth;
- the **Eureka Project**, SMARTpark's incubator at the University of Manitoba, is supporting start-up innovators in diverse areas including electronics and civil structures, web and software design, and digital gaming;
- the **Industrial Technology Centre**, which relocated to SMARTpark in 2005, provides a wide range of technical services including technical information and advice, product design and development, advanced visualization and analysis, and testing/calibration;
- the **HVDC Research Centre**, which is operated by Manitoba Hydro, conducts innovative research and development in HVDC (high voltage direct current) and power electronic technologies, instrumentation and simulation. The centre has become a world leader in the technology of electric power system simulation, applied power systems analysis and related technologies;
- the **Vehicle Technology Centre** supports industry collaboration, innovation and the use of new technologies in the surface transportation equipment manufacturing industry; and
- the **Centre for Applied Research and Commercialization** at Red River College is developing advanced, sustainable infrastructure technologies related to asphalt concrete pavement, advanced composite materials, large light wood frame structures and building envelope systems.

Community Innovation

The 2003 *Manitoba Innovation Framework* promotes the use of provincial programs and resources to support community and innovation-based economic development. Efforts under the framework were designed to support initiatives ranging from education and training facilities that provide a steady supply of skilled workers for high-tech industries, research facilities that collaborate with industry, and Internet connectivity for rural and northern communities.

Through investments in network infrastructure, by leveraging the purchasing power of the public sector, and by challenging the current standards for access to communications, Manitobans will be able to take better advantage of the benefits that broadband network services provide.

Access to broadband networks improves the quality of life for Manitobans living in rural and remote parts of the province by enhancing health care services, improving access to educational opportunities and increasing access to economic opportunities. Businesses in these areas will be able to become more innovative and competitive, and will be able to access new markets.

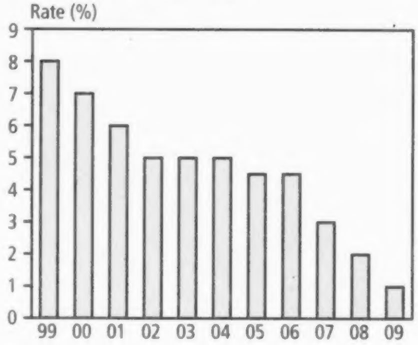
Competitive Business Environment

Manitoba has a competitive business environment that promotes innovation and economic growth. Since 1999, the province has put in place and enhanced a number of tax measures that help businesses in Manitoba to be more innovative and competitive, and improve productivity. These measures include:

- the general **Corporation Capital Tax** has been reduced three times since 1999 and will be eliminated as of December 31, 2010;
- the **Corporation Capital Tax** will be eliminated for manufacturers as of July 1, 2008;
- the general **Corporation Income Tax Rate** will fall to 12% on July 1, 2009;
- the **Small Business Corporation Income Tax Rate** will fall to 1% on January 1, 2009, the lowest rate in the country; this is the seventh decrease in the small business rate since 1999;
- **Accelerated Capital Cost Allowance**: Paralleling the 2008 Federal Budget, the Province is extending the Accelerated Capital Cost Allowance;
- the **10% Manufacturing Investment Tax Credit** (MITC) targets new and used manufacturing plant and equipment purchased for use in manufacturing or processing in Manitoba. The refundable portion of the MITC was increased to 70% as of January 2008;
- the MITC was extended to include energy conservation equipment, which now includes equipment used to produce energy for sale;
- the **Research and Development (R&D) Tax Credit**, which targets scientific research and experimental development carried out in Manitoba, was increased from 15% to 20%;
- R&D conducted outside of Canada that supports R&D in Canada is now claimable at up to 10% of the Canadian R&D labour costs;
- the **Manitoba Film and Video Production Tax Credit** is being increased to a maximum 65% credit;
- the **Interactive Digital Media Tax Credit** is a new refundable 40% tax credit to support companies that develop and produce interactive digital media projects in Manitoba;
- the **10% Green Energy Equipment Tax Credit** was introduced to encourage the production in Manitoba and the sale for use in Manitoba of wind, solar, geothermal and hydrogen cell equipment; and
- the **40% Book Publishing Tax Credit**, with a 10% bonus for printing on recycled paper, is being introduced.

Figure 2

Manitoba's Small Business Income Tax Rates, 1999-2009



Note: Rates at January 1 of each year except 1999 which was July 1

Source: Manitoba Department of Finance

Budget 2008 Taxation Measures

- Elimination of the general Corporation Capital Tax by the end of 2010 is confirmed.
- For manufacturers, the Corporation Capital Tax will be eliminated as of July 1, 2008.
- The general Corporation Income Tax rate will fall to 12% on July 1, 2009.
- The Small Business Corporation Income Tax rate will fall to 1% on January 1, 2009.
- Paralleling the 2008 Federal Budget, the Province is extending the Accelerated Capital Cost Allowance.
- The Journeyperson Hiring Incentive is being introduced.
- The annual investment limit for an investor under the Community Enterprise Investment Tax Credit ("angel investor tax credit") is being tripled.
- Energy conservation equipment that is eligible for the Manufacturing Investment Tax Credit can now be used to produce energy for sale.
- A portion of R&D conducted outside of Canada that supports R&D in Canada can now be claimed.
- The Manitoba Film and Video Production Tax Credit is being increased to a maximum 65% credit.
- The Interactive Digital Media Tax Credit is being introduced to encourage the development and production of interactive digital media projects in Manitoba.
- The Book Publishing Tax Credit, with a bonus for printing on recycled paper, is being introduced.
- The Community Enterprise Development Tax Credit is being extended for another three years.

BizPaL (Business Permits and Licences)

BizPaL is an innovative on-line service that automatically generates a list of all the permits and licences that are required by all three levels of government to start and operate a given business, along with pertinent information on each permit and licence (including how they can be obtained).

See www.manitoba.ca/business

Innovative Government

Government has a key role to play in promoting innovation through its own day-to-day operations. It can demonstrate innovation through the successful use of new technologies, especially information and communications technologies, to deliver information and services.

The province has undertaken a number of initiatives to modernize government services through greater efficiencies, new partnerships and the use of new technology. For example, the Information and Communications Technology (ICT) Restructuring Initiative is optimizing the application of ICT across the provincial government.

In recent years, the government has also made greater use of information and communications technologies, including the Internet, to improve service delivery to citizens and businesses, and to extend the reach of services and programs. For example, responding to recommendations provided by the Premier's Economic Advisory Council, the province launched the Single Window For Business Initiative. This initiative aims to improve the competitiveness of the environment in which Manitoba businesses operate by providing client-centred access to the province's business services and information – on-line, in person or by phone.

NEXT STEPS: FROM RESEARCH TO INNOVATION

Manitoba companies' ability to grow and achieve greater success in a globally competitive marketplace hinges increasingly on their capacity to commercialize new technologies, processes and services. Technology commercialization is thus an important priority for Manitoba and is critical to future economic growth prospects.

New research and technologies provide us with the knowledge, tools and means to deal with today's fundamental challenges, whether it is health care or climate change. More effective translation of research into innovation will enable more commercial technologies to emerge from local high-tech sectors including life sciences, ICT, digital media and advanced manufacturing.

Manitoba and other North American jurisdictions have had success in building strategies to increase publicly funded research but have been less successful in bringing this research to the marketplace. Manitoba must now embark on a more focused innovation strategy as is practiced in other leading regions of the world, such as Scandinavia, which have achieved greater success in turning research into commercially viable products.

Under the Scandinavian approach, co-operation and aligning of priorities across sectors have been of critical importance to achieve greater economic performance. For example, in Finland, innovative public organizations actively collaborate with the business community and researchers to identify strategically important areas of research, and develop technology commercialization programs which bring together the foremost experts in various fields. Similarly, in Sweden and Denmark, high priority is placed on collaborative research between universities, industry and business to enable the transfer of knowledge and technology in the economy and society. In these jurisdictions, all partners understand the need for a long-term commitment to investing in innovation.

The Government of Manitoba's renewed approach to innovation is focused on fostering greater integration and collaboration within Manitoba's commercialization community. It looks at how commercialization support efforts, programs and services can better work together to enhance Manitoba's economic development performance.

An important next step will be to make better use of existing strengths and ensure that current programs, facilities, services and investments are more effective at supporting innovation and technology commercialization.

Government can demonstrate innovation through the successful use of new technologies, especially information and communications technologies, to deliver information and services.

A renewed focus on innovation activities in Manitoba will be implemented through three initiatives:

1. establishment of an Innovation Council
2. implementation of an integrated technology commercialization strategy
3. enhanced capital markets strategy

A renewed focus on innovation activities in Manitoba will be implemented through three initiatives.

1. **Innovation Council**

   A revitalized focus on innovation and commercialization in Manitoba will be led by a new Innovation Council made up of business, research and community leaders that will:

   - provide independent advice to government to maximize the economic and social benefits that enhanced innovation offers to Manitoba;
   - provide guidance and advice for an integrated approach to commercialization for Manitoba to support the development of companies in the province; and,
   - work with government on the implementation of a capital markets strategy which could include the creation of new capital pools that support the development and growth of companies at all stages of development.

2. **Integrated Technology Commercialization Strategy**

   Successful technology commercialization requires partnership, collaboration and strong community leadership from the business, finance and investment, and research communities. Working in collaboration with these communities, the province will develop a strategy to align business incubation initiatives in the province. The establishment of a more integrated Manitoba commercialization system will:

   - achieve greater networking and partnerships between business, academic, research and government communities in the areas of innovation and technology most important to Manitoba's future competitiveness and prosperity;
   - help build a critical mass of leading high-tech companies which have the skills, technologies and investment capital to meet the test of global markets;
   - increase the number and frequency of Manitoba companies reaching a sustainable growth stage before their competitors;
   - attract more financial investment to early-stage growth companies; and
   - assist companies to sell more innovative products and services to markets around the world.

Learning from regions that have been successful at commercializing research and innovation – such as Scandinavia – the government's renewed approach to innovation is focused on fostering greater collaboration and integration within the community.

3. Capital Markets Strategy

Healthy capital markets are an essential component of an effective innovation strategy. Market participants must ensure that investment capital is available to convert research into new products, services and increased productivity. The provincial government is actively engaged with the private sector, educational institutions and other levels of government to work collaboratively on solutions to the capital market challenges being faced by Manitoba companies.

A capital markets strategy should address the following:

- **financing:** improving access to capital for seed and development stage companies;
- **infrastructure:** improving the match between the demand for capital and the supply; and
- **knowledge and awareness:** increasing investors' awareness of opportunities in Manitoba, and enhancing the level of corporate finance knowledge to assist the users, facilitators and suppliers of capital in completing investment transactions.

The Manitoba government already provides important financial programs and supports. These include the following:

- In January, 2008, the Province introduced the **Community Enterprise Investment Tax Credit** (the "angel investor tax credit") to assist Manitoba companies in raising investment capital through a new 30% non-refundable income tax credit available for individuals and corporations in Manitoba. In total, this tax credit has the ability to leverage $16.7 million in private investment to assist companies in Manitoba.
- The province also continues to support Manitoba businesses through **Private Placement Capital Funds**, which currently have a total $18.7 million of capital invested.
- The **Manitoba Industrial Opportunities Program** provides term loans to assist businesses to expand in Manitoba. The loans are targeted toward opportunities that create significant strategic economic benefit, such as job creation and sectoral development.
- The **Technology Commercialization Program** provides financial assistance to Manitoba-based businesses to develop or implement new technology.
- The **Feasibility Studies Program** provides financial assistance to assist Manitoba-based businesses to assess the merits of new business ideas.

A capital markets strategy should address issues related to financing, infrastructure, and knowledge and awareness.

- The **Manitoba Venture Challenge Competition** is a private sector business planning competition supported by the Asper Centre for Entrepreneurship, the Province of Manitoba and the Winnipeg Angel Organization, that was established to place a greater focus on the need for investment capital for Manitoba entrepreneurs as well as business planning and entrepreneur skill development.

CONCLUSION

Vision, leadership and collaboration continue to characterize Manitoba's approach to promoting and commercializing research and technology. The province's diverse array of businesses, high-quality educational and research institutions and programs, strong work ethic, skilled workforce, strategic location, competitive business environment and innovative government services and programs, will continue to assist Manitoba in being competitive in the global marketplace.

Building upon this stronger foundation, the Government of Manitoba will foster more effective linkages between education, government and the private sector to further strengthen the innovation capacity that will drive economic growth and improve the quality of life for Manitobans.

Budget Paper F

SUPPORTING MANITOBA'S CHILDREN AND FAMILIES

Manitoba

SUPPORTING MANITOBA'S CHILDREN AND FAMILIES

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CHILD WELL-BEING: A MANITOBA PRIORITY

Research on healthy child development and well-being shows that investments in children's early years positively influence a child's potential for good health, educational success, and positive relationships. These investments also benefit families, communities, and the long-term health and well-being of populations as a whole. While parents and caregivers are the first and most important influences in children's lives, raising children is a challenging task that requires the support of society.

Manitoba has developed a child-centred policy framework and increased its investments in evidence-based programs and services to help children and youth achieve their best possible outcomes.

The Province is working together with community partners to develop, implement, and evaluate policies, programs, and services to help our youngest citizens achieve their fullest potential.

A Snapshot of Manitoba's Children

Children and youth make up 24% of the population of Manitoba. According to the *Manitoba Health Population Survey*, in 2006 there were 283,316 children ages 17 and under, of whom approximately 197,000 were ages 12 and under. Aboriginal children make up approximately 25% of the Manitoba child population.

The Manitoba Bureau of Statistics projects that by 2017 Aboriginal children under age 15 will represent 31.7% of the total Aboriginal population, or about double the percentage of non-Aboriginal children in the same age group.

Between 1999 and 2005, the most recent years for which statistics are available, there was a 25% reduction in Manitoba's child poverty rate, compared to a 19% reduction for Canada as a whole. As well, the rate of lone parent families living on low-incomes declined from 46% in 1999 to 26% in 2005 – an improvement of 43%, compared to a 28% decrease for Canada.

Manitoba children are doing well in a national context in terms of positive family interactions. Data from the *National Longitudinal Survey of Children and Youth* for children aged five and under indicates that more Manitoban children are experiencing positive parenting than in the past, increasing from 88% to 94% between 1998/99 and 2004/05. The large majority of Manitoba's children live in families with positive family functioning and positive parenting, at rates higher than the Canadian average. Manitoba also fared better than the Canadian average with respect to the percentage whose parents read to their children daily.

Investing in Early Childhood Development: The Economic Imperative

Leading economists have shown the importance of early child development to our province and the country's economic future. Knowledge is the engine of the 21st century economy. Better brains and innovative ideas fuel economic growth, create jobs, increase wealth, and secure our financial future.

> **"The real question is how to use the available funds wisely. The best evidence supports the policy prescription: Invest in the very young."**
>
> **- James J. Heckman, PhD**
> **2000 Nobel Laureate in Economic Science**

Manitoba's Child Poverty Rate Declines:

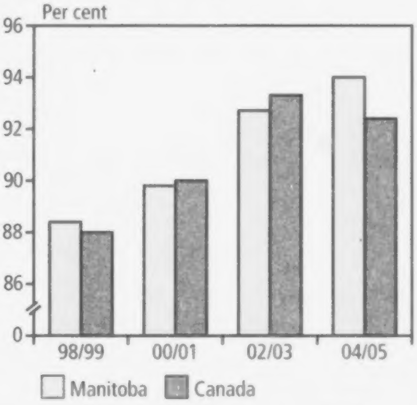
Between 1999 and 2005, there was a 25% reduction in Manitoba's child poverty rate, compared to a 19% reduction for Canada as a whole.

Positive parenting includes:

- ensuring a safe, engaging environment
- encouraging positive behaviour
- creating a positive learning environment
- having realistic expectations
- taking care of yourself as a parent

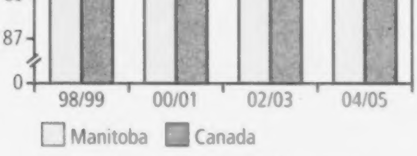
Source: Healthy Child Manitoba Positive Parenting Program

Children Living in Families with Positive Parenting



Source: National Longitudinal Survey of Children and Youth

Children Living in Families with Positive Family Functioning



Source: National Longitudinal Survey of Children and Youth

Unfortunately, not all Manitoba families are able to provide a safe and secure environment for their children. Approximately 2.5% of children in Manitoba were in the care of a child welfare agency in 2006/07. However, a study by the Manitoba Centre on Health Policy noted a declining trend over the period between 1984/85 and 2003/04 in hospitalization and death rates due to injury, assault and maltreatment among all Manitoba children.

As well, the number of children in Child and Family Services (CFS) care or with prior CFS contact who died due to suspected abuse by a caregiver has generally declined since 1996 even though the number of children in care increased during the same period.

It is a high priority of this government to ensure the safety and well-being of these children, and to provide the necessary family supports to reduce the number of children taken into care.

■ EVIDENCE-BASED, CHILD-CENTRED POLICY AND BEST PRACTICES

Using research and statistics, we can better understand the issues and develop policies to meet the challenges facing Manitoba's children. Two major research approaches that help us improve child well-being are population health and early childhood development (ECD).

A population health approach explores the ways health is determined by the interaction of many factors, such as income, social status, education, support networks, and physical and social environments. This approach suggests that the well-being of our children cannot be achieved by the efforts of one system alone; rather, it must be addressed through the collaboration of parents, community partners and public agencies.

ECD sets children's foundations for learning, behaviour, and health – all of which are crucial for producing positive outcomes. A poor start not only threatens or delays a child's development in the early years, with costs to both the child and society, but it also frequently leads to a chain of poor outcomes in adulthood that place greater stress on the individual and society. Conversely, a positive start not only results in healthy, happy kids today, it is proven to reduce the likelihood of chronic disease in adulthood.

MANITOBA'S FRAMEWORK TO ACHIEVE OPTIMAL CHILD WELL-BEING

Since 1999, the Government of Manitoba has made enormous strides in building a system that works to improve the well-being of children. Best practices from population health and ECD research show that a successful framework must be comprehensive, integrated, and supported by legislation.

Complementary Components: Universal and Targeted

Universal and targeted investments are complementary parts of a comprehensive policy response to children's well-being. Universal investments support the well-being of all children, while targeted investments support vulnerable children, or those considered to be at risk for poor outcomes. Manitoba's robust *Healthy Child Manitoba Strategy* (HCM Strategy) has both. The Manitoba government recognizes that children who are most vulnerable or at risk for poor outcomes require services and supports tailored to their needs. Children from low-income and single-parent families and from families raising children with disabilities, including those with Fetal Alcohol Spectrum Disorder, have some of the most serious challenges.

Integrated and Comprehensive

The Province is committed to partnerships with the community that bring together parents, children, community organizations, school divisions and health professionals to plan community activities based on local needs.

In Manitoba, we have created child-centred community structures and mechanisms. One example is the establishment of *Parent-Child Coalitions*, the *Council of Coalitions* and the *Provincial Healthy Child Advisory Committee*. Currently, there are 26 Parent-Child Coalitions across Manitoba: one in each of the 11 rural and northern regions, one in each of the 12 community areas in Winnipeg, and three cultural or language-based coalitions (two Aboriginal, one Francophone). Using modest government funding, coalitions offer a wide range of activities focussing on parenting supports, nutrition, literacy, and building the capacity of the community to support healthy families. Activities vary by region depending on local needs and priorities.

Healthy Child Manitoba: Manitoba's Child-Centred Strategy

In Manitoba, we have developed a unique approach to ensuring the implementation of a comprehensive framework for child well-being. In March 2000, the HCM Strategy was established as the government's long-

The Province is committed to partnerships with the community that bring together parents, children, community organizations, school divisions and health professionals.

"The Government of Manitoba provides a best practice, using a "whole government" approach to dealing with children and youth issues. [Healthy Child Manitoba] committees have had a significant and positive impact in influencing the programming and policies the Manitoba government has implemented."

Reaching for the Top: A Report by the Advisor on Healthy Children and Youth
K. K. Leitch (2008)
Health Canada

term, evidence-based, cross-departmental prevention and early intervention strategy to achieve the best possible outcomes for Manitoba's children. Manitoba invests in four key areas:

- pregnancy, birth and infancy;
- parenting and family supports;
- early childhood development, learning and care; and
- community supports.

The HCM Strategy integrates the knowledge, experience, resources and energy of a diverse cross section of stakeholders. HCM partnerships have been cultivated with those committed to child well-being, ranging from community members (through the Parent-Child Coalitions), to sector representatives (including education, health, child care, social services and cultural sectors), to the highest levels of government (the Healthy Child Committee of Cabinet). This "new way" of working together across sectors for the good of our children and youth has brought Manitoba national acclaim from the Centre of Excellence on Early Childhood Development and the Health Council of Canada.

> *This "new way" of working together across sectors for the good of our children and youth has brought Manitoba national acclaim from the Centre of Excellence on Early Childhood Development and from the Health Council of Canada.*

The HCM Strategy became law with the proclamation of *The Healthy Child Manitoba Act* in December 2007. Manitoba's Healthy Child Committee of Cabinet is the only standing Cabinet committee in Canada and one of the few worldwide, dedicated to the well-being of children and youth.

Legislation

In addition to *The Healthy Child Manitoba Act*, Manitoba has strengthened legislation to improve the safety and security of our children through amendments to *The Child and Family Services Act*, *The Fatality Inquiries Act* and *The Ombudsman Act*. These changes fulfill the Province's commitment to implement the recommendations contained in external reviews of child welfare.

Manitoba is a national leader in protecting children from sexual exploitation. The Government of Manitoba has introduced legislation – a Mandatory Reporting of Child Pornography provision – which protects children by making it mandatory for all citizens to report any type of child pornography.

> *Manitoba is a national leader in protecting children from sexual exploitation.*

MAJOR MANITOBA INITIATIVES AND INVESTMENTS

The Manitoba government is committed to ensuring that families, parents and children have access to a continuum of programs, services and community supports that focus on prevention and early intervention. The Province works to ensure Manitoba children's needs are a top priority, including needs related to physical and emotional health, education and learning, safety and security, and social well-being. Major investments in children have been in the following priority areas: early learning and child care, parent/child supports, the child welfare system, children with special needs, and education programs.

Early Learning and Child Care

Early childhood development continues to be a top policy priority for the Manitoba government. Economists Cleveland and Krashinsky (1998) estimated that for every dollar spent on child care, there is a two-dollar benefit to the economy. In 2008, the World Bank reported that each dollar invested in early childhood development saves at least seven dollars by reducing remedial education, health care, social assistance and criminal justice system costs.

Manitoba continues to improve accessibility of child care by creating newly funded child-care spaces. In 1998, regulated child-care spaces were available for only 10.5% of Manitoba's children aged 12 and under. Today, there is a regulated child-care space for 14.5% of this age group (including 20.0% of children five years and under). Funding for child care has increased 110% since 1999, with 7,168 newly funded spaces, and higher centre revenues providing an average 31.7% increase to staff salaries.

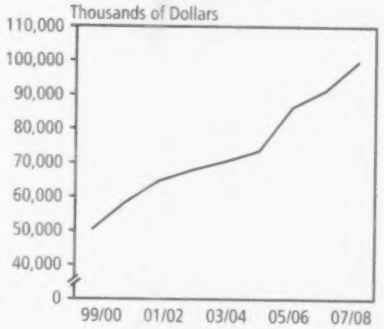
A successful child-care strategy must be affordable. To this end, Manitoba maintains the second-lowest child-care fees across the country and provides a targeted subsidy to make child care more affordable for low-income families.

Manitoba's training requirements for early childhood educators (ECE) are among the highest in Canada. For example, only Manitoba requires directors to have a four-year university degree in developmental studies or credentials beyond a two-year ECE diploma program.

Manitoba was also one of the first jurisdictions in Canada to administer the *Early Development Instrument* that measures each child's school readiness in physical, social, emotional, language and communication domains.

Manitoba is in the process of developing a multi-year action plan to follow its successful 2002-2007 Five-Year Plan for Child Care and is committed to continuing to expand and improve the regulated child care system. The strategy will emphasize a planned expansion of the system based on community needs and partnerships with schools and the education system.

Manitoba Child Care Program Expenditures



Source: Manitoba Child Care Program 2008

What some moms have said about Healthy Baby programs and the Prenatal Benefit:

"Coming to this program gives me the strength I need to keep going."

"The money we received each month helped allow us to maintain a healthy diet and lifestyle."

Source: Healthy Baby program community feedback (various years)

Continuum of Investments for Parents and Children

Children's first and earliest years, from conception through pre-school, are critical to their future success. The Province of Manitoba is paying particular attention to providing a web of services that support families from pregnancy through the pre-school years.

Healthy Baby is a two-part program that includes the Manitoba Prenatal Benefit and Healthy Baby community support programs. The prenatal benefit provides up to $80 monthly to low-income pregnant women to assist them with their nutritional needs during pregnancy. It is available province-wide, including in First Nations communities. Community support programs provide pregnant women and new parents with family support and informal learning opportunities via group sessions and outreach. Healthy Baby community programs are offered in over 110 sites in Manitoba and are designed to reach women and families that are identified as vulnerable, but are open for all to attend.

Maternal health and child health care services are an important component of child well-being. Recognizing this, Manitoba introduced a four-year *Bachelor of Midwifery (Aboriginal Midwifery)* program at the University College of the North – the first degree program in Aboriginal midwifery in the world. This program will increase the availability of accredited midwives in Aboriginal communities, and ensure that mothers and babies have access to culturally and medically appropriate maternal and newborn care in their home communities.

The *Manitoba Mother and Child Healthcare Services Task Force* works to develop recommendations to enhance and strengthen primary care and prevention services in maternal and child health in Manitoba.

Families First is a community-based home visiting program for families and children between the prenatal period and the start of kindergarten. Manitoba's public health nurses screen all births (over 12,000 annually), and conduct in-depth assessments with families with the greatest needs, who are then offered home visiting. Annually, about 1,500 families participate in regular home visits by trained paraprofessional home visitors, supervised by public health nurses. Evaluations of Families First indicate that the program is effective in identifying families with the greatest needs and has increased the rate of positive parenting, the single most important factor in building a strong foundation for a child's life.

The *Triple P – Positive Parenting Program* provides parents and families with access to parenting supports and information. Research has shown that Triple P is highly effective in reducing the incidence of child maltreatment and out-of-home placements. It is also effective in strengthening parenting skills and improving children's social and emotional development, thereby reducing other treatment or clinical costs.

Phase one of the program is a training initiative provided to staff of interested organizations and agencies across Manitoba. To date, 510 practitioners – including 163 Aboriginal practitioners – from about 150 community agencies, Regional Heath Authorities, school divisions and child-care centres have participated in Triple P training and have successfully completed accreditation.

Phase two of implementation will begin in the fall of 2009, with a public education campaign and eventual access for all Manitoba parents to parenting information, useful strategies, and support.

Healthy children require healthy food, and the *Northern Healthy Foods Initiative* (NHFI) improves awareness of and access to nutritious food for children and families in northern, remote communities. NHFI activities include promoting local vegetable gardening for residents, improving the quality and availability of healthy, perishable foods, and developing children's knowledge of nutrition, health and chronic disease prevention. In addition, a partnership with northern school divisions promotes healthy foods and traditional food gathering through both curriculum support of gardening and the construction of greenhouses in four northern communities: Leaf Rapids, Lynn Lake, South Indian Lake and Brochet.

Developing healthy social skills is a large component of child well-being. Building on the success of a 2001/02 pilot program, *Roots of Empathy* (ROE) continues to expand throughout the province. The goal of ROE is to increase children's pro-social behaviour and to reduce physical aggression and bullying by fostering children's empathy and emotional literacy. An evaluation of ROE found that the program is highly effective for both boys and girls and across grade levels, with many of the beneficial outcomes maintained or improved up to three years after students completed the program.

The Manitoba government has made addressing the issue of Fetal Alcohol Spectrum Disorder (FASD) a priority. Manitoba launched the *Provincial FASD Strategy* to advance research, expand public awareness, support families, and reduce the prevalence of FASD. The newest component of the FASD Strategy is Spectrum Connections: this program will assist FASD youth who are transitioning out of the foster care system and young adults who live in supported or independent living arrangements.

The Triple P – Positive Parenting Program is also effective in strengthening parenting skills and improving children's social and emotional development, thereby reducing other treatment or clinical costs.

To date, 510 practitioners – including 163 Aboriginal practitioners – have participated in Triple P training and have successfully completed accreditation.

Every parent wants to provide their child with the best possible start in life. To support this, Healthy Child Manitoba is prioritizing the prevention of Fetal Alcohol Spectrum Disorder and improving supports for people and families affected by FASD.

Investments in the Child Welfare System

The maltreatment of children presents a large threat to healthy child development and child and youth well-being. Given the devastating impact of maltreatment on children, it is essential that we take steps to prevent the occurrence of child abuse and neglect.

The top priority in providing protection services for children and youth has been a massive shift in the child welfare policy and program approach, particularly with respect to Aboriginal children. In August 2000, following the recommendations of the 1991 Aboriginal Justice Inquiry, the Province of Manitoba, and First Nations and Métis leaders jointly established the *Aboriginal Justice Inquiry – Child Welfare Initiative* (AJI-CWI). The goals of the AJI-CWI are both to recognize the rights of First Nations and Métis to control the development and delivery of child and family services to their peoples throughout Manitoba, and to restructure the child and family services system.

Completed in 2005, the restructuring established four new, culturally appropriate CFS Authorities: the Métis Child and Family Services Authority, the Northern First Nations Child and Family Services Authority, the Southern First Nations Child and Family Services Authority, and the General Child and Family Services Authority.

The safety of children remains the highest priority. In March 2006, the Government of Manitoba commissioned two external reviews into the CFS system in Manitoba as a result of a tragic child death. Manitoba's response was the development of the *Changes for Children* initiative, announced in October 2006. It provides a comprehensive framework for action on several major themes from the external reviews, including:

- focussing on keeping children safe using prevention and early intervention programs;
- enhancing support for front-line child protection workers;
- improving communication;
- strengthening the new governance structure since the transformation of the CFS system;
- working with the Government of Canada with respect to its financial obligations for First Nations peoples and how it relates to on-reserve children; and
- strengthening and improving upon the review of children's deaths.

The Province of Manitoba announced an allocation of $48 million in additional funding to begin to address the recommendations from the reviews.

A key initiative of Changes for Children is the differential response model, considered a best practice model by leading scholars and organizations such as the Centre of Excellence for Child Welfare and The Child Welfare League of Canada. This model provides alternate streams or tracks of service and support to children and families based on their intensity of need. Manitoba will develop and implement two streams: an early intervention stream and a child protection stream.

In 2008, Manitoba will begin to implement the differential response model in a number of sites to demonstrate and evaluate various approaches to differential response measures.

With its shared child and family governance structure and commitment to early intervention and prevention through the Changes for Children initiative, Manitoba is well positioned to engage in a partnership with Indian and Northern Affairs Canada and First Nations governments to work towards increased federal funding and better outcomes for First Nations children living on reserves. Manitoba continues to strive for equity between on- and off-reserve child welfare funding and service provision.

In addition, the Province is committed to expanding and enhancing the *Foster Care System*. In 2006, the Government of Manitoba launched a successful foster care recruitment campaign called *Join the Circle of Care*. The Province exceeded the original campaign goal to develop 300 new foster home spaces; by October 2007 over 500 foster home spaces were developed. As of November 2007, 1,538 potential foster parents had requested further information about the foster care system and were invited to attend foster parent orientation sessions held throughout the province. The Province is also committed to strengthening Manitoba's foster care system by emphasizing increased recruitment, training, and funding. Funding will also support over 150 new staff positions over the next three years to provide workload relief for agencies and provide preventative, timely, and supportive responses to families.

Manitoba is also taking a leading role in preventing child sexual abuse.

The Child Protection Advisory Council, co-chaired by the Canadian Child Protection Centre (formerly Child Find Manitoba) and Manitoba Family Services and Housing, is responsible for providing recommendations for building child-safe organizations.

The Province of Manitoba announced an allocation of $48 million in additional funding to begin to address the recommendations for Changes for Children.

In 2002, the Province launched the *Manitoba Strategy Responding to Children and Youth at Risk of, or Survivors of, Sexual Exploitation.* The Strategy aims to increase awareness of the issue across all segments of the population, and to expand and enhance prevention and intervention programming for at-risk youth.

Manitoba's *Cybertip.ca*, introduced in 2002, is an important component of the Manitoba Strategy and has now been expanded nationwide. Cybertip.ca is an online tool for reporting online predators and child pornography. Since its launch, the website has received nearly 25,000 reports, resulting in 2,800 websites being shut down and 30 arrests, including six in Manitoba.

Manitoba established a high-risk sex offender public notice website in April 2003. The names and photographs of high-risk sex offenders are listed on the site to notify the public and to help protect individuals, families, and children from these offenders.

Manitoba was one of the first jurisdictions to set up *Child-Friendly Courtrooms* and waiting rooms, which are designed to make it less traumatic for children to testify.

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The Government of Manitoba has been successful in getting Canada's provincial and territorial justice ministers to sign on to a national Amber Alert protocol that will aid in the safe return of abducted children.

Manitoba has helped lead successful national efforts to criminalize Internet luring, to register sex offenders, to raise the age of sexual consent from 14 years to 16 years, and to tighten child protection laws.

As part of its multi-faceted approach to enhancing the well-being of all Manitoba children, Manitoba has introduced initiatives to help children heal from the devastating effects of domestic violence. A fund called *At the Roots* will benefit children through community action plans throughout Manitoba, including Winnipeg, Portage la Prairie, and Flin Flon. Through At the Roots, Manitoba aims to reduce the likelihood of the next generation of adults perpetuating domestic violence, and to improve the long-term outcomes for children exposed to domestic violence.

Assisting Children with Special Needs

Manitoba also provides specialized services for children with disabilities. A major part of the child well-being framework is the *Children's Special Services* program, which provides support to families caring for their children who have developmental and/or physical disabilities. Services and supports strengthen families and reduce their stress so that costly out-of-home placement is prevented or delayed. Services are tailored to the unique needs of each child and family and aimed at supporting children with disabilities to achieve their best possible outcomes.

The Province is also working to improve the situation of First Nations children with medical needs who live on reserve through our commitment to moving ahead on Jordan's Principle. Jordan's Principle aims to ensure that jurisdictional disputes do not prevent First Nations children from receiving care otherwise available to other Canadian children, that necessary care is not delayed or disrupted by jurisdictional disputes, and that jurisdictional disputes are not resolved at the expense of children requiring service. Manitoba is committed to moving forward on resolving inequalities that currently exist for First Nations children and families that live on reserve.

In 2000, four departments partnered to introduce a co-ordinated approach to improve the delivery of children's therapies in Manitoba:

- The *Children's Therapy Initiative* (CTI). CTI provides co-ordinated, regionally based speech-language therapy, physiotherapy, occupational therapy, and audiology, with a high priority on early intervention and continuity of care.
- The *Applied Behaviour Analysis* (ABA) program provides early and intensive behavioural intervention for children diagnosed with Autism Spectrum Disorder (ASD). The number of children with ASD receiving services, including ABA, has increased from 353 children in 2001 to 911 children in 2007/08.
- The *Unified Referral and Intake System* supports children who require assistance to undergo health care procedures when they are apart from their parents or guardians and attending an eligible community program, for example, at a school, licensed child care, recreation program, or involved in any family service plan including respite.

In 2007, the Province committed to investing more than $738,000 in annual funding to develop and support a comprehensive, multidisciplinary provincial program to help children living with attention deficit hyperactivity disorder, and their families and schools. The program provides assessments, consultations with mental health professionals, treatment, family interventions, and information for parenting groups and educators.

Special Needs Funding is available to assist schools in providing educational programming for students who require and receive extensive supports based on a comprehensive educational needs assessment. Manitoba has increased special needs funding to schools by 49.2% since 1999.

Supporting Families, Supporting Children

Manitoba recognizes that successful child development is highly dependent on family circumstances, including access to essentials such as a secure income and safe housing and communities. The Province's housing strategy emphasizes *HousingFirst*, which holds that safety and security are essential to the well-being of families and children.

In keeping with the HousingFirst philosophy, in December 2007 Manitoba unveiled a 10-point, $84 million *BUILDINGFoundations* Action Plan to improve public housing for families. Through this action plan, Manitoba has created *Going Places*, an initiative in the Gilbert Park housing complex in Winnipeg. This program introduces a new team of social workers and skill-development workers to help youth reduce high-risk behaviours and improve school performance, as well as to connect families to needed services.

The Manitoba Housing and Renewal Corporation will also enhance playgrounds on Manitoba Housing Authority properties throughout Manitoba to ensure that children have safe places to play. Manitoba will invest $600,000 to build new playgrounds and to landscape properties throughout Manitoba, starting in Winnipeg, Thompson, Churchill and Brandon.

> *A key feature of Rewarding Work is a Manitoba child benefit worth $11 million that will assist up to 33,000 families.*

Commencing in January 2008, *Rewarding Work* complements the HousingFirst strategy. Rewarding Work is a four-year action plan to assist Manitobans in moving from welfare to work. A key feature of this program is a Manitoba child benefit worth $11 million that will ensure parents do not lose support for their children when moving off social assistance. Up to 33,000 families will benefit once the plan is fully implemented.

For many low-income families and youth, minimum wage provides their employment income. April 1, 2008 marked the eighth time since 1999 the Manitoba government has increased the minimum wage. The increase has brought Manitoba's single-tier minimum wage to $8.50 per hour and resulted in a total increase of 42% or $2.50 per hour since 1999.

Creating safer communities is a collaborative effort involving the three levels of government, the police, community agencies and citizens. The Manitoba government is encouraged by the new *LiveSAFE* initiative in Winnipeg led by the City of Winnipeg and Winnipeg Police Service. The Province is working closely as a partner with stakeholders to introduce initiatives that help prevent youth involvement in gangs and criminal activity.

Lighthouses is an on-site program that provides after-school recreational activities for community youth. In July 2007, Manitoba announced its 50th Lighthouse site. Lighthouses receive more than 125,000 visits by young people every year, many of whom are at risk for crime or gang involvement.

To further improve community safety and to help children who have been in conflict with the law, Manitoba established *Turnabout* in 2002. Turnabout standardizes the way police, workers in the justice, child welfare and school systems, and the community deal with children too young to be charged. Turnabout follows up after a child under 12 years of age has been in contact with police and strategizes with the child's parents or guardians. The program will expand to include Thompson, and has received approximately 1,370 referrals to date.

Education Programs

A solid education is one of the most crucial factors leading to positive, long-term outcomes for children and youth. Improving educational outcomes for children remains a top priority for Manitoba.

Children from low-income families and inner city neighbourhoods are at increased risk of losing academic ground over the summer school break. To offset this loss, community partners under the direction of the Social Planning Council of Winnipeg, with government support, developed the *CSI: Community School Investigators' Summer Learning Enrichment Program.* Preliminary indicators show that CSI reduces summer learning loss by providing children with stimulating, educational, fun programming through the summer months. A rigorous evaluation is planned for this year.

Crucial to improving the well-being of Aboriginal children in low-income communities is strengthening the connection among children, parents, communities, and schools while focusing on culture and language. The Province has made a strong commitment to improve Aboriginal education in Manitoba and has taken strides in this direction, particularly through the *Aboriginal Education Action Plan* released in 2004. The Action Plan targets key areas for improvement, including increasing high school graduation rates and improving student engagement.

The *Community Schools Partnership Initiative* is designed to improve children's success at school. Announced in January 2005, the program supports schools in low socio-economic status communities through strong alliances and partnerships among teachers, parents, community, business leaders and elders. Presently, there are 12 community schools in Winnipeg and nine throughout the rest of the province.

Manitoba recognizes that good health is important for learning and that schools are in a unique position to influence the health outcomes of children, youth and families. *Healthy Schools* is a comprehensive school health initiative to promote six priority health issues in the context of the school community:

Quality education in the early years provides the foundation for later success. The government has met or exceeded its commitment to fund public schools at the rate of economic growth every year since 1999.

"I think that the CSI program is so nice. The teachers are smiling at me all the time. My cousin, he laughs at me because I love to do the reading and the math tests. But I told my mom that I am getting better at writing and she is so proud of me."

- CSI Grade 2 Student, 2007

"I never did read a book. I got one from the library, the big one…. I learned some words. And my teacher said it was okay to get a comic. I tried reading."

- CSI Grade 4 student, 2007

physical activity, healthy eating, safety and injury prevention, substance abuse and addictions, sexual and reproductive health, and mental health.

Through Healthy Schools, the Province is working together with schools, families, and communities to address issues related to safety and violence prevention. Enacted in 2004, the *Safe Schools Charter* creates a legislated foundation to ensure that each student enrolled in a school is provided with a safe and caring school environment that fosters and maintains respectful and responsible behaviours.

■ MOVING FORWARD

Over the last decade, Manitoba has made significant investments in children's well-being and has developed strong child-centred strategies, legislation, and partnerships; however, the Province recognizes that there is still more that can be done.

Under the broad banner of Healthy Child Manitoba, Manitoba will continue to prioritize key initiatives such as strengthening the child welfare system and continuing to expand the child care system. The Government of Manitoba will continue cultivating and nurturing important partnerships with key stakeholders such as Aboriginal communities, community service providers, and the federal government, and it will continue to report to Manitobans on our collective progress in improving the lives of our province's children.

The founding Chair of the Healthy Child Committee of Cabinet has observed, "When we get it right for our kids, we get it right for all of us."

> **"When we get it right for our kids, we get it right for all of us."**
>
> **Founding Chair of the Healthy Child Committee of Cabinet**

■ WEBSITE RESOURCES:

National Longitudinal Survey of Children and Youth (p. 1)
http://www.gov.mb.ca/finance/mbperformance/perf13.html

Early Childhood Development (p. 2)
http://www.gov.mb.ca/healthychild/ecd/index.html

Parent-Child Coalitions (p. 3)
http://www.gov.mb.ca/healthychild/parentchild/index.html

Healthy Child Manitoba Strategy (pp. 3-4)
http://www.gov.mb.ca/healthychild/

Manitoba Child Care Program (p. 5)
http://www.gov.mb.ca/fs/childcare/about.html

World Bank, 2008 (p. 5)
http://go.worldbank.org/FVDOPZ2U10

Healthy Baby (p. 6)
http://www.gov.mb.ca/healthychild/healthybaby/intro.html

University College of the North Bachelor of Midwifery Program (p. 6)
https://www.ucn.ca/ics/Programs/

Manitoba Mother and Child Healthcare Services Task Force (p. 6)
http://www.gov.mb.ca/health/phc/machs.html

Families First (p. 6)
http://www.gov.mb.ca/healthychild/familiesfirst/index.html

Triple P – Positive Parenting Program (p. 7)
http://www.gov.mb.ca/healthychild/triplep/index.html

Roots of Empathy (p. 7)
http://www.rootsofempathy.org/

Provincial FASD Strategy (p. 7)
http://www.gov.mb.ca/healthychild/fas/index.html

Aboriginal Justice Inquiry – Child Welfare Initiative (p. 8)
http://www.aji-cwi.mb.ca/

Restructuring Manitoba's Child and Family Services System (p. 8)
http://www.gov.mb.ca/fs/childfam/cfs_restructuring.html

Changes for Children Initiative (p. 8)
http://www.changesforchildren.mb.ca/history.html

Child Protection (generally pp. 8-9)
http://www.gov.mb.ca/fs/org/cfs/child_protection.html

Foster Care Information (p. 9)
http://www.gov.mb.ca/fs/childfam/fostercare.html
Join the Circle of Care (p. 9)
Phone: 1-888-995-JOIN
1-888-995-5646

Manitoba Strategy Responding to Children and Youth at Risk of, or Survivors of, Sexual Exploitation (p. 10)
http://www.gov.mb.ca/fs/childfam/strategy_on_sexual_exploitation.html

Online Reporting of Child Pornography: Cybertip.ca (p. 10)
http://www.cybertip.ca/app/en/

High Risk Sex Offender Public Notice website (p. 10)
http://www.gov.mb.ca/justice/notification/index.html

Children's Special Services (p. 10)
http://www.gov.mb.ca/fs/pwd/css.html

Children's Therapy Initiative and URIS (p. 11)
http://www.edu.gov.mb.ca/k12/specedu/intersectoral/index.html

Special Needs Funding (p. 11)
http://www.edu.gov.mb.ca/k12/specedu/funding/index.html

HousingFirst and BUILDINGFoundations (p. 12)
http://www.gov.mb.ca/buildingfoundations/

Rewarding Work (p. 12)
http://www.gov.mb.ca/rewardingwork/

Minimum Wage Fact Sheet (p. 12)
http://www.gov.mb.ca/labour/standards/doc,minimum-wage,factsheet.html

Lighthouses (p. 12)
http://www.gov.mb.ca/justice/lighthouses/

Aboriginal Education Action Plan (p. 13)
http://www.edu.gov.mb.ca/abedu/action_plan/

Community Schools Partnership Initiative (p. 13)
http://www.edu.gov.mb.ca/cspi/

Healthy Schools (p. 13)
http://www.gov.mb.ca/healthyschools/index.html

Safe Schools Charter (p. 14)
http://www.edu.gov.mb.ca/k12/safe_schools/

Healthy Child Manitoba Annual Report, 2006/07
http://www.gov.mb.ca/healthychild/about/annual.html

Family Services and Housing Annual Report, 2006/07
http://www.gov.mb.ca/fs/about/annual_reports.html

Family Services and Housing
http://www.gov.mb.ca/fs/index.html

Aboriginal and Northern Affairs
http://www.gov.mb.ca/ana/index.html